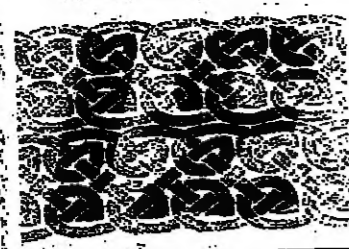


Thursday October 24
Courses fall

سكنا من الشهر

FINANCIAL TIMES



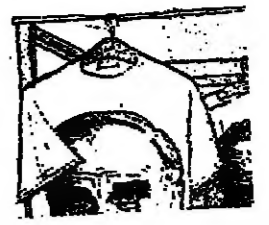
Irish economy
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Italy's politics
Anglicisation required
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TOMORROW'S
Weekend FT
Mighty, folksy giant of Europe



World Business Newspaper <http://www.ft.com>

FRIDAY OCTOBER 25 1996

IMF likely to suspend \$10bn loan to Russia

The International Monetary Fund is likely to suspend the latest tranche of its \$10.2bn loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors. IMF experts monitoring Russia's compliance with the deal left Moscow after failing to reach agreement with local officials. Page 16



Perot rejects call to drop out: Texas Ross Perot (left) vowed to stay in the US presidential race, dismissing efforts by Republican candidate Bob Dole to persuade him to drop out as "weird and totally inconsequential". Mr Perot's Reform party running

mate, Pat Choate, said the approach from Mr Dole was proof he was not a viable candidate and urged Republicans to support the Reform ticket. Page 5; Observer, Page 15

Airlines hit by fuel price rise: Airlines are being forced to raise fares or - for the first time since the Gulf war - add fuel surcharges because aviation fuel prices have risen to a five-year high. Page 17; EU may force airline cuts. Page 2

Israelis mark Rabin anniversary: Israelis marked the anniversary on the Jewish calendar of the November 4 assassination of prime minister Yitzhak Rabin, but the day was marred by the shooting of a Palestinian near Tel Aviv after soldiers claimed he fled a security checkpoint. Israel still divided. Page 4

China predicts grain self-sufficiency: China claimed it could maintain self-sufficiency in grain, dismissing international fears it will be heavily dependent on imports next century to meet demand estimated to rise to 550m tonnes by 2010, and 640m tonnes by 2030. Page 26

Deal over Black Sea fleet: The Ukrainian and Russian presidents calmed tensions over the division of the Black Sea fleet, but the two leaders would not give details of a final deal. Page 2

Japan to resume China aid: The Japanese government is considering resuming official grant aid to China after a break of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear testing. Page 16

UN cash crisis eases: Substantial payments by the US in the past few weeks have helped relieve the United Nations' cash crisis, reducing the total owed by member states to \$2.5bn. Page 4

US arms shipped to Bosnia: The biggest shipment of US arms to Bosnia arrived as Washington stepped up efforts to force a merger between the Muslim-led Bosnian army and Bosnian Croat forces. Page 3; Editorial Comment, Page 15

Apec urged to drop trade barriers: Asian business leaders urged their political counterparts in the 18-member Asia Pacific Economic Co-operation forum to go beyond reducing tariffs on imports and pledges to eliminate other barriers to trade. Page 7

Portugal plans transport self-off: Portugal is to sell a controlling stake in the main motorway network and involve the private sector in the state airline, railways, ports, airports and roadbuilding in a sweeping privatisation programme for the country's transport system. Page 8

Japanese car output rises: Japan's car industry output rose by 0.3 per cent in the six months to September, the first half-year rise in six years, providing the latest evidence of a gentle economic recovery. Page 6

Poland legalises abortion: Poland's lower house of parliament overthrew a Senate veto and passed a bill liberalising abortion, despite opposition from the Catholic Church and Polish-born Pope John Paul II.

FT.com: The FT web site provides online news, comment and analysis at <http://www.ft.com>

STOCK MARKET INDICES	
New York: Dow Jones Ind. Av.	8004.76 (+31.89)
NASDAQ Composite	1234.11 (+6.23)
London: FTSE 100	2151.62 (+2.78)
DAX	2678.43 (+21.10)
Nikkei	21,933.49 (+78.66)

US LUNTIME RATES	
3-month Treasury Bill	5.11%
Long Bond	6.85%

OTHER RATES	
3-month Eurodollar	5.24%
6-month Eurodollar	5.24%
12-month Eurodollar	5.24%

NORTH SEA OIL (August)	
Brent	24.34
Dated	24.35

Report warns of extraordinary costs in introducing single currency Euro may cost retailers \$21bn

By Gillian Tett, Economics Correspondent

European Union retailers could face extraordinary costs of more than £21.4bn (\$31.4bn) - almost 2 per cent of their total annual turnover - in adapting their operations to the introduction of the euro, according to a private industry research report.

The figure, equivalent to about \$100 per person in the EU, provides the first concrete estimate outside the banking sector of the costs European monetary union will force companies to bear.

The estimate is likely to fuel concern about the impact of

the single currency project on Europe's businesses and consumers.

Leading retailers point out that margins will be squeezed or inflation will be pushed up. "If the cost is not passed on to consumer, the blow to retail profits would be devastating," Lord Blyth, deputy chairman and chief executive of Boots the Chemist, a leading British chain, said yesterday.

The research report by EuroCommerce, the EU retailing body, warns: "It would be politically difficult to sell the euro to citizens if as a result, prices would increase."

The report also reveals significant unresolved issues are

hanging over the Euro plans. One is whether the new currency will be introduced in one "big bang" switchover or staggered over six months.

EuroCommerce's calculations are based on two separate scenarios for introduction of the euro in 2002. Implementation of Euro is to begin in 1999, but the euro will go into general circulation only three years later.

The first assumes transition to a single currency over six months in 2002, with the euro and national currencies circulating in tandem in this period.

Some European officials believe this would be the most acceptable to the public. Con-

sumer groups are lobbying to ensure shops would have to deal and price in two currencies during this period.

EuroCommerce has calculated that this option would cost retailers £21.4bn. About 5bn of this would stem from the physical problems of handling two currencies in the shops, while £16.4bn would arise from dual display of prices.

Other costs arise from computer changes, staff training, and public information campaigns.

These projections have startled the industry. "I am aghast at this estimate. If these costs are to be passed on to consum-

ers in full, imagine the impact on inflation," Lord Blyth said.

Mr Henrik Krumer, secretary general of EuroCommerce, said: "We are very much in favour of the euro, but politicians and parliament must not forget that they need retailers to help the public get used to the new money."

EuroCommerce argues that if a "big bang" transition were used instead, this could cut the bill to £11.4bn - about 1.1 per cent of the total value of the EU's retail turnover.

Retailers are due to meet the Commission to discuss their estimates shortly. Their suggestions are likely to be opposed by consumer groups.

California telephone networks overloaded by Internet

By Louise Kehoe in San Francisco

California's telephone networks are in danger of collapse because of increasing use of the Internet, according to one of the largest telephone companies in the US.

"The explosion of the Internet is flooding our networks," warned Pacific Bell, the western US regional telephone company. It said heavy Internet use had changed the pattern of telephone traffic, causing serious problems in metropolitan areas including San Francisco, Los Angeles and San Diego.

Internet service providers dismissed Pac Bell's warning as an excuse for increasing tariffs, which are particularly favourable to Internet users.

In Silicon Valley, where Internet traffic is heavier than in any other part of the US, as many as one in six telephone calls does not go through on the first try because of Internet overload. The normal failure rate is one in a hundred.

Addressing a trade show in Anaheim on Wednesday night, Mr Michael Fitzpatrick, chief executive of Pacific Telesis, Pac Bell's parent company, said 16 California telephone switching centres were encountering problems.

With Internet use doubling each year, about 8 per cent of California households use the Internet. "A huge tie-up of the local network would occur if Internet use... expanded to reach 15 per cent of households," he said.



German engineering workers demonstrate outside a steel plant in Duisburg following the collapse of talks on Wednesday between the IG Metall union and the employers over sick pay and other social settlements. They were among more than 400,000 workers who yesterday downed tools to join nationwide protests in the most forceful demonstration so far of the country's rapidly deteriorating labour relations. The engineering employers' federation said the strikes caused "massive production losses and lasting damage" to Germany as a manufacturing centre. Report, Page 24; EU jobs report blocked, Page 16

Fresh approach may spark battle to control Ceba

By John Ridding in Hong Kong and James Kynge in Kuala Lumpur

A contest for Consolidated Electric Power Asia developed yesterday when it emerged that the Hong Kong-based power group had been approached by a third party, thought to be Malaysia's YTL Corporation.

The news comes just two weeks after Hopewell Holdings, the property and infrastructure company which has a majority stake in Ceba, agreed a US\$2.7bn bid from Southern Company of the US. Shares in Ceba, Asia's pioneering power producer, rose HK\$10 to HK\$17.95, on top of an increase of about 20 per cent since Hopewell announced plans to cede control.

In a statement to the Hong Kong Stock Exchange yesterday, Ceba said that since the accord with Southern, it had been approached by a company seeking a controlling stake. However, it said no offer or formal proposal had been received.

Mr Gordon Wu, founder and executive chairman of Ceba, told reporters in Manila that YTL was the company in question. The Malaysian company would not comment, while Southern said it hoped that its agreement with Ceba would go ahead.

Analysts in Hong Kong were guarded about the prospects of Ceba being wrested from

Southern. "I think that would be difficult. It is unclear whether YTL could top what is already a pretty generous price," said one, referring to the HK\$15.50-a-share offer from the US group. "A key question is whether Hopewell would be able to accept an offer which did not involve a general offer to shareholders," said Ms Alice Hui, analyst at W.I. Carr. She said YTL, which has a market capitalisation roughly the same as Ceba, might be seeking a minority stake.

In Kuala Lumpur, analysts said the acquisition of Ceba would be a big strategic step for YTL, which is Malaysia's first independent power producer. It holds a lucrative contract to sell electricity to Tenaga Nasional, the state utility, for 21 years from March 1995.

While financing such a deal would be funded from YTL's strong balance sheet, observers questioned whether it could afford to pursue Ceba while it plans to take a 51 per cent stake in Zimbabwe's state-owned Hwange power station, in a deal valued at US\$550m.

Hopewell's sale of Ceba has been motivated partly by its need to raise funds for its infrastructure projects in Thailand and China, and by its debt burden.

The group's annual report, published this week, revealed total debts at the end of June stood at HK\$2.6bn while its net debt to equity ratio had risen from 62 per cent on June 30 1995 to 82 per cent.

Philips president orders drastic overhaul

By Gordon Cramb in Eindhoven

Philips, Europe's largest electronics company, is to shed loss-making units and prune management layers in a drastic overhaul ordered yesterday by Mr Cor Boonstra, its new president.

The reforms will cost F1bn (\$586m), to be taken as a write-off against the Dutch-based group's already depleted earnings this year. It could also mean the spin-off of one or more profitable divisions into separate quoted companies.

Making an unscheduled appearance at a press conference called to announce a 77.2 per cent slide in third-quarter net earnings to F123m, Mr Boonstra was tranchant both in describing the problems and saying how they should be remedied. "We could refer to price erosion, we could talk about our competitive environment. My message to you is another. We are not blaming the market, we are not blaming us. Our management is accountable for this third quarter."

"The people in our factories have had their work measured and gone through efficiency drives," he noted. "In this reorganisation the focus will be on management layers, the quality of management, and better marketing and sales."

He said that Mr Jan Timmer, his predecessor who stepped down at the end of last month, had "embedded the company with the culture of change, but we clearly overestimated our capacity to grow. We were too optimistic in, for example, growing our organisational costs to meet our expectations instead of taking reality into account."

In six years as Philips chief Mr Timmer took the group to record profits from what Mr Boonstra acknowledged was "the danger of bankruptcy - that is not the case today".

The group shed thousands of

Continued on Page 16

Lex, Page 16

Chastened Philips, Page 18

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The company offers a range of attractive services for the management of clients' assets. The company's experience in large projects financing is our main advantage in investment banking services. In 1994, we participated in the forming of an insurance company of a new banking services. In 1994, we participated in the forming of an insurance company of a new banking services. In 1994, we participated in the forming of an insurance company of a new banking services.

The company's main goal is to provide reliable services for our clients, including private individuals and counterparts from commercial banks, investment funds, unit trusts and other brokers. All of the company's activities are handled in full coincidence with the signed contracts, that follow our legislation.

As indicated by the name of the company, after successful establishment on the domestic market we intend to expand our activities in other Central European countries.

NEWS: EUROPE

More than 400,000 workers down tools to protest at 20% sick pay cut

Engineering strikes engulf Germany

By Wolfgang Münchau in Frankfurt

More than 400,000 German engineering workers yesterday downed tools to join nationwide protests in the most forceful demonstration so far of the country's rapidly deteriorating labour relations.

Gesamtmittel, the engineering employers' federation, said the strikes caused "massive production losses and lasting damage" to Germany as a manufacturing centre. The day of strikes and marches follows the breakdown on Wednesday of crisis talks between employers and unions over sick pay and other social entitlements. The failure to agree a deal has led employers to question the future of regional wage bargaining, a hallmark of the German social market economy.

IG Metall, the engineering union, targeted yesterday's demonstra-

tions on North Rhine-Westphalia, the country's industrial heartland, where 187,000 workers in 750 companies staged a full-day strike.

In Baden-Württemberg, a centre for the engineering industry, around 120,000 workers walked out for several hours.

Workers at Westfalenhütte, a Dortmund steel company, ignited a controlled "warning fire" in front of the company's gates to express their anger and to keep warm.

Mercedes-Benz, the car and truck maker, was one of the main targets, with 32,000 workers taking part in the demonstrations. Several other famous names of German industry were affected by the strikes, including Audi and Bosch.

At Blohm + Voss, the Hamburg shipyard, workers carried placards encouraging colleagues "to preserve the inheritance of our fathers", a reference to a strike which began 40 years ago yesterday in which German steelworkers

secured a contractual sick pay guarantee which was later enshrined in law.

The guarantee stated that workers are entitled to 100 per cent of total pay - including overtime and bonuses - when ill. A recent change in German law lowers the guarantee to 80 per cent, but employers faced nationwide protests when they tried to move their workers on to the new legal minimum.

The determination with which German trade unionists are defending the 100 per cent sick pay scheme was summed up yesterday by a Blohm + Voss worker who insisted that the issue was one "over which we don't even talk".

Yesterday's demonstration were the second this month: more than 100,000 workers walked out on October 1, the day the new sick pay law took effect.

IG Metall announced yesterday that the dispute had led to a surge in membership. The union, already the world's largest, with close to 3m members, has recruited over 10,000 members this month.

Gesamtmittel said yesterday's action "demonstrates to domestic and foreign investors that the preservation of social entitlements counts more than competitiveness". It said 142,000 jobs had been lost over the last 12 months because they were too expensive.

The sick pay dispute is an opening skirmish in a battle which will ultimately be over the welfare state itself. IG Metall fears that a defeat would open the floodgates for further welfare cuts and a dismantling of the country's corporatist labour structures, including the system of wage negotiations.

Germany's practice of employer federations and trade unions negotiating labour agreements that are

binding for the vast majority of companies in the sector is unique among the world's leading industrial nations. The deals allow for slight regional variations, but do not allow companies to negotiate at plant level.

Federations such as Gesamtmetall are torn between rising scepticism among their members and a wish to preserve a system that has given rise to their own existence.

In defence of the status quo, the federation argues that companies would otherwise need to create their own industrial relations infrastructure to deal with wage increases, working hours and fringe benefits. They would also risk being exposed to targeted action by IG Metall.

Labour relations in the engineering industry have traditionally been difficult because of the disparate interests the sector represents.

EUROPEAN NEWS DIGEST

Fresh scandal hits Gaullists

The French prime minister's office has reimbursed Air France, which had paid the salary of one of its senior political employees for more than two years, in the latest scandal to touch the ruling Gaullist RPR party.

It has repaid the national airline more than FFr 1m (\$190,000) in salary and social security contributions paid to Mr Dominique Tiberi in his role as head of the private office of Mr Roger Romani, minister for parliamentary relations. The information places new pressure on Mr Jean Tiberi, Dominique's father, the RPR politician who took over as mayor of Paris following the election to the presidency last May of Mr Jacques Chirac, his RPR predecessor.

The details also help confirm long-standing allegations about "fake salaries" paid by Air France to a series of political appointees, most of whom never worked for the company.

Other advisers paid by Air France included Mr Gérard Colé, the former head of the French lottery who is now under investigation for corruption allegations. This inquiry led to the discovery of payments to other individuals, and has triggered a separate, wider inquiry opened by the Paris public prosecutor, *André-Jack, Paris*.

Spending in France down

French household spending on manufactured goods fell 1.5 per cent in September, in spite of a second consecutive strong monthly increase in purchases of new cars, according to figures published yesterday by Insee, the national statistics institute.

The decline did not prevent household consumption for the third quarter as a whole from registering a reasonably strong 2.6 per cent increase. But it sagged badly for the final quarter, when car sales are expected to be significantly lower, following the expiry on September 30 of a government incentive scheme for new car buyers. Household consumption in September was still more than 4 per cent up on September 1995.

By sector, consumption of textiles and leather was down 10.5 per cent from August (and 9.9 per cent from September 1995), while spending on household goods such as televisions and hi-fi equipment fell 6.3 per cent (3.5 per cent). Purchases of cars rose 18.5 per cent, after a similar 18.4 per cent increase in August. *David Owen, Paris*

Funereal protest in Madrid

Madrid traffic slowed to a funeral pace yesterday as private-sector undertakers brought their hearse to demonstrate in the manner they know best - a solemn procession. A grim cortege of 2,000 vehicles, according to the organisers, rolled from the stadium of Spanish league champions Atlético de Madrid to the economy ministry to protest against the obstacles local councils are putting in the way of competition.

The centre-right government approved measures in June to liberalise the funeral business, ending council-controlled monopolies in cities like Madrid. But it left it up to town halls to decide the rules. In Madrid this means undertakers have to own at least 30 hearses, have 4,000 coffins in stock and be locally-based.

Companies say they are prepared to go on a burial strike if conditions are not eased. *David White, Madrid*

Poland scales down tax cuts

Poland's parliament yesterday voted to cut income tax next year for the lowest-income groups, in a defeat for the former communist Left Democratic Alliance (SLD), the senior partner in the ruling coalition, which had proposed cutting tax rates for all wage earners.

The Polish Peasant party (PSL), the junior coalition partner, sided with the opposition Freedom Union against the SLD in a move described by Mr Włodzimierz Cimoszewicz, the prime minister, as "demagogic and populist".

The tax cuts are estimated to add 200m zlotys to next year's budget deficit, which was originally set at 11.3bn zlotys or 2.6 per cent of GDP. Yesterday Ms Hanna Gronkiewicz-Waltz, the head of the National Bank of Poland, the central bank, said it would have to follow a tight money policy if the target of 13 per cent annual inflation was to be reached. *Christopher Robins, Warsaw*

Ryanair advert condemned

The Advertising Standards Authority for Ireland said it upheld complaints by pilots about a Ryanair advertisement featuring a hijacked Sudan Airways jet on the tarmac at London's Stansted airport with the slogan "It's amazing what lengths people will go to fly cheaper than Ryanair". ASAA said the advert lacked a sense of responsibility to consumers and society. Pilots had complained it was bad taste to capitalise on the misfortune of another airline and said it could be seen as an incitement to commit crime. Ryanair argued the hijacking had raised public awareness of the airport and had ended without injury or loss of life. *Reader, Dublin*

French police yesterday morning arrested a dozen people in connection with investigations into the explosion at the town hall of Bordeaux this month, for which Corsican nationalists claimed responsibility. *Andrew Jack, Paris*

Bulgaria's Securities and Stock Exchange Commission yesterday suspended trading in all 19 quoted companies after they failed to meet legal requirements. The exchange said none had complied with new rules obliging public companies to submit to the SSEC by September 15 a detailed report on the size and distribution of their capital and their shareholders. *Reader, Sofia*

Kinnock may force cut in EU airfares

By Caroline Southey in Brussels

Mr Neil Kinnock, the European commissioner for transport, yesterday threatened to order airlines to withdraw airfares deemed to be too expensive, as part of a crackdown on high ticket prices across the EU.

Mr Kinnock warned that some charges within the EU "could be described as excessive". The overcharging was confined to fully flexible tickets, as a rise in promotional fares and more charter flights meant that over 90 per cent of passengers were paying lower fares compared with three years ago.

Mr Kinnock's threat prompted an angry response from the airline industry. "The Commission's reaction is misguided," said Mr David Henderson, manager for information for the Association of European Airlines.

He blamed the high level of fares on high costs for air transport and other services, such as ground handling and air traffic control. "The Commission should be doing something about the fact that new entrants cannot come and push down prices because costs are so high."

Mr Kinnock said the Commission has not yet identified the airlines it would target. But Commission figures released yesterday showed that fares on flights to and from German airports - including internal flights and those to other EU destinations - ranked the highest.

Mr Henderson said the Commission was "looking at

the wrong figures" - in some instances high fares simply reflected the fact that operating costs in that country were high. "There are a lot of factual errors in the figures," he said.

Mr Kinnock's threat followed the release of a report on the impact of three years' of air liberalisation in the EU. The final phase in opening EU air transport to competition is due to be fully in place by April 1997.

Mr Kinnock said the drive against high airfares would include ordering airlines to withdraw tickets deemed to be too expensive. The Commission has never exercised powers given to it three years ago to order withdrawals. He also threatened to use EU competition rules barring companies from holding dominant positions and price-fixing. Mr Kinnock admitted tackling high airfares would also involve reducing airlines' operating costs to allow new entrants into the market.

The report on the progress of liberalisation showed that the number of routes had increased from 490 to 520 during the last three years, while there had been a rise in the number of routes served by two operators to 30 per cent and a three-fold increase in the number of routes served by at least three operators.

Airfares most affected by greater competition were on flights from Brussels to Madrid, Barcelona, Milan, Rome, Vienna and Copenhagen and from London to Paris, Amsterdam, Brussels and Frankfurt.



A warship in dock at Sevastopol, Crimea. Russia's lower house said Moscow would never hand over the port

Russian and Ukrainian leaders calm tension on Black Sea fleet

By Chrystia Freeland in Moscow and Matthew Kaminski in Kiev

The Ukrainian and Russian presidents yesterday calmed tensions over the division of the Black Sea Fleet, but the two leaders would not give details of a final deal.

Mr Leonid Kuchma, the Ukrainian president, held a hastily arranged meeting with Mr Boris Yeltsin, his Russian counterpart, in an effort to salvage a relationship seriously shaken by two inflammatory laws passed by the Russian parliament this week.

Mr Kuchma and a Kremlin spokesman said the 30-minute discussion had resolved the long-running disagreement over the

division and headquarters of the 600 vessels in the Black Sea fleet.

Mr Kuchma said Mr Victor Chernomyrdin, the Russian premier, would travel to Kiev before mid-November to sign a final deal.

Neither side gave details of the new agreement, raising fears that the dispute, which has clouded Ukrainian-Russian relations since the collapse of the Soviet Union in 1991, could linger on.

Over the past two years, Mr Yeltsin has planned six trips to Kiev to sign a broad-ranging friendship treaty, but unresolved issues, particularly the struggle over the fleet, have forced the cancellation of each scheduled visit.

Mr Kuchma said that his Russian counterpart had pledged he would come to Kiev before the end of the year to sign the long-awaited treaty.

Yesterday's impromptu Slavic summit also underscored the Ukrainian belief that Mr Yeltsin is the main guarantor of peaceful relations between the two states and Kiev's concern that the Kremlin leader's poor health could jeopardise the two countries' nervous co-existence.

"Boris Nikolaevich Yeltsin is needed not only in Russia, especially under the current circumstances. Ukraine needs Boris Nikolaevich too. The world needs Boris Nikolaevich," Mr Kuchma said.

The Ukrainian leader said that Mr Yeltsin seemed to be more fit than he had been during his August 9 inauguration, the last time the president appeared in public.

Kiev has been especially upset by two decisions overwhelmingly endorsed by the Russian parliament this week: a law warning that Russia will never cede control of Sevastopol, the Black Sea Fleet's Crimean port, and a draft law passed yesterday which seeks to stop the division of the fleet.

The measure followed statements from the Moscow mayor, Mr Yuri Luzhkov, and Mr Alexander Lebed, the former Russian security chief, that Sevastopol remained a Russian city.

Vienna in drive to win public over to Emu

By William Hall in Vienna

The Austrian government is planning a campaign to persuade an increasingly sceptical Austrian electorate of the advantages of joining the proposed single European currency.

Mr Franz Vranitzky, the chancellor, said his government's recent setback in the European elections, when the far-right Freedom party of Mr Jörg Haider won nearly 28 per cent of the

votes, had not shaken its firm determination to be among the founder members of the single currency in 1999.

But in an interview, he admitted that the Freedom party's success had made the task more difficult. He said it signalled an urgent need for the leaders of Austria's "social partnership" to play a more active role in explaining the advantages of Austria's planned membership of the new currency.

He also hinted that Aus-

tria planned to take more concrete measures to offset the negative short-term economic costs of the move to a single currency.

Mr Vranitzky said it was important that the move to monetary union was accompanied by more aggressive efforts to create employment. "If we leave our people alone with monetary objectives which they can hardly understand, and which they believe do not add much to their lives, then

they will not buy a new European currency."

Mr Vranitzky said this was his country's most important political challenge and it would be a decisive factor in Austria's next general election campaign, likely to coincide with the start of a single currency.

He said the government had to persuade Austrians that along the road to Emu the government was also taking supporting policy initiatives in areas such as

employment, infrastructure, research and development and education.

Mr Vranitzky stressed that any new policy initiatives would not be allowed to undermine Austria's commitment to meet the Maastricht convergence criteria. The budget for 1996 and 1997 had already been set and would not be re-opened. In 1998, Austria would continue to pursue a "very careful" budget strategy.

Although there has been

concern about the size of the budget deficit, the Austrian chancellor said his country would have "no problem meeting its public debt targets on time". He denied unexpectedly slow growth in the economy would make it more difficult to meet the convergence criteria.

The Freedom party yesterday rejected offers to link up with Flemish and French rightwingers to establish an anti-Maastricht faction in the European Parliament.

Leader of the Jiu Valley miners brushes up his image ahead of race for the Romanian Senate

'People's man' cuts a dash for the voters

Five years ago Miron Cozma stormed the Romanian parliament at the head of a column of truncheon-wielding miners and informed terrified MPs that his men intended to impose "order".

It was the start of three days of miner-led riots that toppled Romania's first democratically elected government in half a century.

Mr Cozma hopes to address parliament again soon: he is running for the Senate in next month's general elections, Romania's third since the collapse of communism.

He still heads the feared Jiu Valley miners, as well as several other unions, but cuts a very different kind of figure these days. Dressed in a smart suit and silk tie, he travels in a Swiss Renault Laguna, stopping to hand

out red carnations, election pins and school notebooks to the waiting crowds.

His platform is vague. "I am a fighter," he says without apparent irony. "The people [union members] have chosen me to represent their interests and this is what I do. I am my people's man."

This has considerable resonance in the Jiu Valley, Romania's main coal mining area, deep in the Carpathian mountains, eight hours' drive west of Bucharest.

Under Mr Cozma, restructuring of the loss-making mines has been minimal and the valley's 42,000 miners have kept many privileges. They pay no rent and only token power bills, receive free meals and transport, and are among the country's best paid employees.

This has helped the heavily subsidised local coal com-

pany run up debts of about \$200m - a huge sum in a country where the average monthly pay is just \$100.

Mr Valeriu Butulescu, one of Mr Cozma's rivals in the Senate race, says the mines' problems are symptomatic of the leftist government's flawed economic policy -

Virginia Marsh on Miron Cozma's efforts on Romania's hustings

that rather than promoting investment and establishing adequate social security, it has allowed industry to remain overstaffed and technically backward.

"The biggest problem [in the mines] is that about 80 per cent of expenses go on pay, leaving no money for modernisation. Productivity is very low, there is little mechanisation and condi-

tions are primitive," he says.

Mr Butulescu is the local leader of the Social Democratic Union, a pro-reform alliance led by Mr Petre Roman, the former prime minister whose government the miners overthrew. It now appears to have a good chance of forming a coalition

fully clarified but many believe that President Ion Iliescu and his supporters summoned Mr Cozma and his men to the capital.

After miner-led riots in June 1990 which left several people dead, Mr Iliescu stunned the world by thanking the miners - an incident that led to his government's international isolation.

But these days Mr Cozma is one of the last people Mr Iliescu - who is running for a third term in presidential elections also due on November 3 - wants to be associated with. The president and his party, the core of the group of former communists that have held power since the overthrow of the Ceausescu regime in 1989, now portray themselves as moderates, dedicated to reform, building social peace, and to speeding Romania's membership of Nato and the EU.

A persistent undertone in the governing team's election message is that an opposition government would bring chaos to Romania and that it alone is capable of maintaining stability and keeping the likes of Mr Cozma's miners under control.

The opposition is also seeking to change its image. At the last elections in 1992, it lacked unity, was dominated by former dissidents and intellectuals, was virulently anti-communist and distrusted those who had held senior positions under the Ceausescu regime.

It is now much more realistic. In June's local elections, for example, an opposition party won by a landslide the mayor's race in Petroeni, the largest of the Jiu Valley's mining towns, and Mr Cozma's base, which would have been inconceivable four years ago.



Miron Cozma, leader of the Jiu Valley miners, stands in front of a crowd in Petroeni, Romania.

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Portugal in transport sell-off

By Peter Wise in Lisbon

Portugal's socialist government is to implement a sweeping privatisation programme for the country's transport system, involving the sale of a controlling stake in the main motorway network and private sector involvement in the state airline, railways, ports, airports and roadbuilding.

The plan includes the pri-

vatization of Brisa, Portugal's motorway monopoly - currently 90 per cent government-controlled - Ana, the airport authority, and TAP, Air Portugal, the national airline, Mr Cravinho said in an interview.

Private-sector companies would also almost certainly be involved in the finance, construction and operation of a second Lisbon airport, he said. The government would begin choosing a site for the airport, one of Portugal's biggest infrastructure projects to date, next year.

Caminhos de Ferro Portugueses (CFP), the state railway monopoly, is to be split into two state-owned companies by the beginning of 1997 - one to manage track and other infrastruc-

ture, the other to run trains. Management concessions would be granted to private-sector groups to operate some suburban and regional lines. Build, operate and transfer contracts for light suburban railways, or metros, would also be put out to tender in several areas.

Companies such as cement or chemical groups would be able to submit proposals to run their own trains over the state-owned railway.

Bids for two concessions to build and operate toll motorways in the western and northern regions of Portugal are to be sought in November and January, respectively. The contracts involve investments totaling Es200bn (\$1.3bn)

over the next three years.

"Shadow tolling" is to be introduced in areas where traffic is low and the tolls required to make motorways commercially viable would be punitively high. Operators will count cars as normal and bill the state for the respective tolls.

The advantage of this system is that the state finances the construction of motorways over 20 years rather than in two or three," said Mr Cravinho. "By involving the private sector, more will be invested in transport systems without substantially increasing the level of state finance."

A timetable is yet to be fixed for the sale of Brisa. The state will keep a minority holding.

Ana, the airport authority is to be restructured before privatisation. Air traffic control will remain under state control. Operation of airports will come under private management and an independent regulator set up for the sector.

Mr Cravinho said the government would seek a strategic partner for TAP next year in an alliance that could involve the sale of a minority stake in the airline. KLM Royal Dutch Airlines and Swissair have been reported among the potential partners.

The commercial operation of Portugal's sea ports is also to come under private management, regulated by a central port authority, he said.

Call for EU-wide network

By Charles Batchelor, Transport Correspondent

The European Commission should set up a European Infrastructure Agency to overcome obstacles delaying implementation of a Ecu400bn (\$221bn) programme of pan-European transport networks, the Federal Trust, a London-based think tank said yesterday.

The agency would be a high-level body which could call on the expertise of the commission, the European Investment Bank, the European Investment Fund, member governments and the private sector to promote projects, the trust, which specialises in issues of integration, said.

The agency would encourage a more rational choice of priorities for carrying out the projects, would encourage new sources of finance including public equity and private infrastructure funds, and would foster the development of transnational operating companies.

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Macedonia in London Club debt deal

By Kevin Done and Kevin Hope in Skopje

The London Club of International Banks has reached agreement in principle with Macedonia on repaying its share of former Yugoslavia's total foreign commercial bank debt of \$5.5bn.

The deal marks significant progress for the commercial banks' efforts to recover their loans following the breakup of former Yugoslavia in 1991 and its subsequent default.

Macedonia has agreed to take on 5.4 per cent of the principal and 3.65 per cent of the interest on former Yugoslavia's debt arising from the 1985 New Financing Arrangement (NFA), the last debt rescheduling agreed with the banks.

In return it will be released from the onerous joint and several liability clause in the NFA, which made each borrower liable for the whole debt.

The agreement follows deals reached by the banks

with Slovenia and Croatia and will open the way for Macedonia to gain access to international capital markets for the first time since becoming an independent state in 1991.

Mr Ljube Trpeski, Macedonian deputy prime minister and leader of the debt negotiations, said the country would assume around \$200m in principal and interest. Under the deal agreed in New York, Macedonia is planning to issue bonds in exchange for its share of the debt, and has been granted significant debt servicing concessions by the banks.

The bonds, which are to be listed on the Luxembourg stock exchange, will be paid back over 15 years with an initial four-year grace period. The interest rate will be Libor plus 3%, but this will be reduced to 3.5 per cent in the first two years and to 3.75 per cent in the subsequent two years.

Mr Trpeski said Macedonia would now seek a rating from the international credit rating agencies.

Denmark opens railway to competition

By Hilary Barnes in Copenhagen

The Danish government yesterday announced plans to reorganise the heavily subsidised state monopoly railway system and to open the railways to competition from Danish and foreign operators for both passenger and freight.

DSB, the state railway agency, is to be dismantled from January 1. A

new state agency will become responsible for the track and will put maintenance out to tender.

The inter-city rail routes and Copenhagen commuter rail service run by DSB will become joint stock companies owned by DSB and operated on commercial terms.

Mr Jan Trojborg, the transport minister, said yesterday that the two companies would not be privatised.

Market financing of the two rail service companies will enable DSB to bring forward a DKr5bn (\$1.35bn) investment in 112 new trains for the Copenhagen commuter service - the first trains have already been delivered by Germany's Adtranz.

SJ, the Swedish state railway service company, is expected to operate the first foreign railway to compete on Danish track when the DKr15bn

road/rail fixed link across the Oresund, the straits separating Sweden from Denmark, is opened in 2000.

SJ will be able to operate its own trains to the ferries between the southern Danish island of Lolland and Germany and to run trains on the Great Belt bridge-and-tunnel, road/rail link under construction between Sjælland and the Jutland peninsula.

Concern over arms delivery to Bosnia

By Laura Silber in Sarajevo and Bruce Clark in London

The biggest shipment so far of US arms to Bosnia arrived yesterday as Washington's effort to force a merger between the Muslim-led Bosnian army and Bosnian Croat forces moved into high gear.

Mr James Pardew, the US envoy in charge of the "equip and train" programme, said the shipment would "create a military balance in order to secure a lasting peace in the region".

Yesterday's \$100m shipment - which included 45 battle tanks, 79 armoured personnel carriers, 45,100 M-16 and 800 M-60 machine guns together with ammunition and communications gear - arrived at the port of Ploce.

But the \$400m US-led programme has sparked controversy in Europe, where senior diplomats stress that arms reduction would be a better route to stability.

Germany's Ambassador Michael Steiner, a senior envoy to Bosnia, said yesterday: "The 'equip and train' programme arouses suspicions on the Serb side that the international community is one-sided and helps the other side get stronger."

"But we must balance this with the fact that the Bosnian Serbs have a huge military advantage and are not moving on reduction."

The shipment arrived amid growing signs of confusion, and US-European tension, over the numbers and role of a military force in or around Bosnia next year.

Mr Carl Bildt, the international mediator, has insisted that the main function of a



follow-on force must be to prevent renewed war.

In an oblique criticism of the "equip-and-train" programme, he is understood to have insisted, during a visit to Nato this week, "Deterrence cannot be achieved by adjusting the internal balance of power." He has said peacekeeping troops, include some Americans, must stay in Bosnia.

A large body of US opinion, especially on the political right, has questioned whether any western ground troops would be needed if the Bosnian government were properly equipped to wage war against the Serbs.

Bosnian officials have said they reserve the right to go back to war if the Serb side refuses to fulfil its part of the Dayton agreement by allowing refugees to return.

A likely flashpoint for any return to war is the area around the town of Brcko, in the corridor linking Serb-held northern Bosnia with Serbia.

If the Serbs lose control of Brcko, their possession of the stronghold of Banja Luka could also be threatened.

Kwasniewski in Nato assurance

By Bruce Clark, Diplomatic Correspondent

President Alexander Kwasniewski of Poland, in an assurance to Russia and Ukraine, said yesterday his country saw no reason why nuclear weapons should be deployed on its soil when it joins Nato.

Mr Kwasniewski, who is visiting Britain to drive home Poland's keenness for early membership of the European Union and Nato, also urged the Atlantic alliance to draw up a charter to govern its relations with Ukraine, similar to the one which Russia has been offered.

In a speech to the Royal Institute of International Affairs, the Polish leader insisted that his country's prospective membership of Nato would enhance rather than threaten the stability of neighbouring countries.

On tactical nuclear warheads, whose possible deployment eastwards would cause grave concern in Kiev

and Moscow, he said: "We perceive no security requirement for stationing nuclear weapons on Polish territory."

The Polish president added that it was "unnecessary and misleading" to raise the subject of nuclear weapons in the context of his country's application to join Nato.

His words fell slightly short of a pledge not to accept the deployment of nuclear weapons in any circumstances. As a member of Nato, Poland would have to accept the alliance's military doctrine which foresees a tactical role for US and UK nuclear weapons in certain extreme circumstances.

Mr Kwasniewski said that Nato enlargement could have "serious consequences" unless it was accompanied by measures to strengthen the security of Ukraine. This was an apparent reference to Russia's threats to assemble the former Soviet republics, and possibly other countries, in a new alliance to counter an expanded Nato.

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NEWS: INTERNATIONAL

Divided Israelis remember Rabin

By Judy Dempsey in Jerusalem

When Mr Yitzhak Rabin was assassinated almost a year ago there was more than an outpouring of grief.

His death united Israeli society. Left and right put aside their differences as Israel tried to come to terms with an assassination carried out by a Jew, and one which called into question the future of a permanent peace settlement with the Palestinians.

That unity proved ephemeral. The Israel that yesterday commemorated his death has become polarised.

Since the narrow election last May of Mr Benjamin Netanyahu as prime minister, Israeli society has

become locked in a bitter struggle between advocates of a secular, liberal state willing to trade peace and prosperity for land, and an Orthodox tendency which believes that none of the land held by the Israeli state should be surrendered.

These divisions were encapsulated yesterday by the country's left and right-wing youth movements.

Butar, the right-wing youth group, said it would not sing, at a memorial planned for Sunday, the "Song of Peace", the lyrics Mr Rabin sang at the peace rally in Tel Aviv just before his assassination. Mr Yair Kliger, the musical director of the liberal Tel Aviv Scouts Group, said the song was a fitting commemora-

tion. But Betar said it was too closely identified with the left, particularly since it was used as labour's campaign song in the elections. Moreover, Mr Eldad Halzmi, head of Betar, said the song contained anti-religious lyrics and words, such as "let go of the fallen," which, he said, degraded Israeli soldiers who had died.

But the dispute over the "Song of Peace" also represents a deep rift in the society. Since it was a Jew who killed Mr Rabin, each side has tried to blame the other for his assassination which was so inextricably tied to the peace debate.

The left has blamed the rabble-rousing anti-peace movement on the right who, before the elections, often

burned Mr Rabin's effigy, for fomenting hatred. The right has blamed the left for adopting the moral high ground by suggesting the right must take responsibility for his death - and the future of the peace process.

The verbal assaults are accompanied with an increasing number of death threats against leading politicians. Left wingers, including Mr Shimon Peres, the Labour leader and Mrs Dalia Itzik, a Labour peace cam-

paigner, branded as Nazis, while Mr Netanyahu has received letters branding him a traitor if he redeployed Israeli troops from Hebron. Mr Amos Oz, the writer, yesterday attempted to transcend the discord and hatred

now heard in restaurants, in banks, in the streets and in offices. "Yitzhak Rabin did not fall in the battle for peace," he wrote in Yediot Aharonot, a popular daily newspaper. "He died in the battle for our identity."

Rabin's widow Leah, left, with her son Yuval and daughter Dalia Ben-Artzi Filozof at the memorial ceremony

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Kazakhstan's sale of the century

It may have been corrupt and chaotic, but it was sell or die for state industry

Going once, gone, as the Kazakhs say.

Kazakhstan has sold off 30 of its largest state enterprises in the past year, including prime oil producers and metal smelters, coal mines and power plants, sectors that took European governments years to sell - if they dared touch them at all. Another handful of big oil and gas companies, two mines, and a dozen other enterprises are to go under the hammer in the next few months.

"This is not a government afraid of major steps," said Mr Michael Wilson, resident partner of Baker & McKenzie, the law firm. "Business can be done, if at times at frightening speed."

Speed differentiates Kazakhstan's privatisation more than anything. One company asked a consultancy to submit a proposal for a three week legal and commercial investigation for a bid. Two days later the consultancy found out that the company had already won the bid.

The sales have provided a

life-saving injection of cash into many comatose enterprises, such as the rundown network of power plants that has left Kazakhstan's 17m people in the cold and dark in recent power failures.

"Our energy sector is in deep trouble," said Mr Yusuf Duberman, deputy chairman of Kazakhstan's privatisation committee. "When they are sold to private companies with deep pockets, they revive. People get their salaries paid, production resumes."

The sales have been marked as much by speed as by scandal. Some very large and viable enterprises have been sold off quietly for as little as \$30m, giving rise to accusations that additional sums passed hands under the table. Some deals have come undone as quickly as they have been made, and even transparent tenders have fallen victim to a political tug-of-war, leaving investors frustrated and suspicious.

"In the end it's probably a plus," one western lawyer in

Almaty, the capital, said. "Privatisation is lurching along. But progress is greased by bribes, chaos and threats of violence."

A majority stake in Kaz-Khrom, a conglomerate of two large ferro-alloy smelters and a chrome mine, sold for as little as \$36.5m last year in a closed tender without serious competitive bids. Its new owner, Eurasibank, told shareholders that Kaz-Khrom made a profit of \$143.5m that same year. Eurasibank, funded by Trans-World, the London-based metal trader, also bought majority stakes in an alumina plant for \$20m, and in an iron ore mine for \$48m.

"That's filthy cheap," said Mr Don Nicholson, a government adviser for Deloitte & Touche, the accountants. "It does not smell right."

"We don't put great value on the sum that ends up in the budget, but on the investments into the enterprise," Mr Duberman said. "We left ourselves vulnerable to accusations of selling

the nation's wealth for pennies," he added. "But if we don't sell the enterprises cheaply they will go to waste - and that means they are completely worthless."

Eurasibank pledged to invest \$395m in Kazakhstan, but privatisation experts object that no audit firm has been hired to keep track of investments. "What independent body will verify whether the money pledged is actually invested?" Mr Nicholson said.

"Shedding more light on things like this," Mr Nicholson added, "would be in their best interest. Every foreign investor is asking the same questions."

One thing the Kazakhs have learnt is that open, transparent tenders attract higher bids than sales behind closed doors. A highly public sale of the Yuzhneftegaz oil production association to Hurricane Hydrocarbons of Canada netted \$120m, plus \$250m in investments that will be

monitored by independent auditors. Exxon and Texaco, the US oil companies, are expected to bid even more for the Atkubemunaigaz association when bids are due on November 1.

Power struggles within the government put even these deals at risk, however. When Samson International, a US oil producer, won a tender for Yuzhneftegaz, the ministry for oil and gas, which opposed the sale, insisted that existing Yuzhneftegaz joint ventures which were pumping at the northern half of the field be excluded from the sale. Samson walked out; Hurricane is still negotiating with the venture partners.

At times, officials took months to negotiate a contract after they had selected a winning bidder. "A bid is not the last and final offer here," said Mr Don Templin, resident partner for Price Waterhouse. "The advisers were asked to clarify the bid - try to get better terms. I don't know whether that's worse or better, but it's dif-

Privatisation in Kazakhstan			
Companies sold	Sector	Value (\$m)	Buyer
KazMol (assets only)	Steel smelter	225	Exxon
Yuzhneftegaz	Oil producer	120	Hurricane
Shimkentnefteorgazint	Oil refinery	25	Exxon
KaragandaShimkentnefteorgazint	Oil refinery	25	Exxon
Parvotol Almaty	Alumina plant	48	Trans-World
Zhuzkorgonmet	Copper smelter	30	Trans-World
Karagandinefteorgazint	Power plant	150	Exxon
Ermskov GRES	Power plant	150	Exxon
Companies for sale			
Atkubemunaigaz (AKtyu binisi)	Oil producer		
Mangyshlamunnefteorgazint	Oil producer		
Karagandinefteorgazint	Power plant		
Karagandinefteorgazint	Power plant		
Kazakhnefteorgazint	Oil refinery		
Almaty	Oil refinery		

ferent from what the western companies had expected."

Privatisation experts in Almaty say that officials have become less frantic, more organised and more realistic in recent tenders.

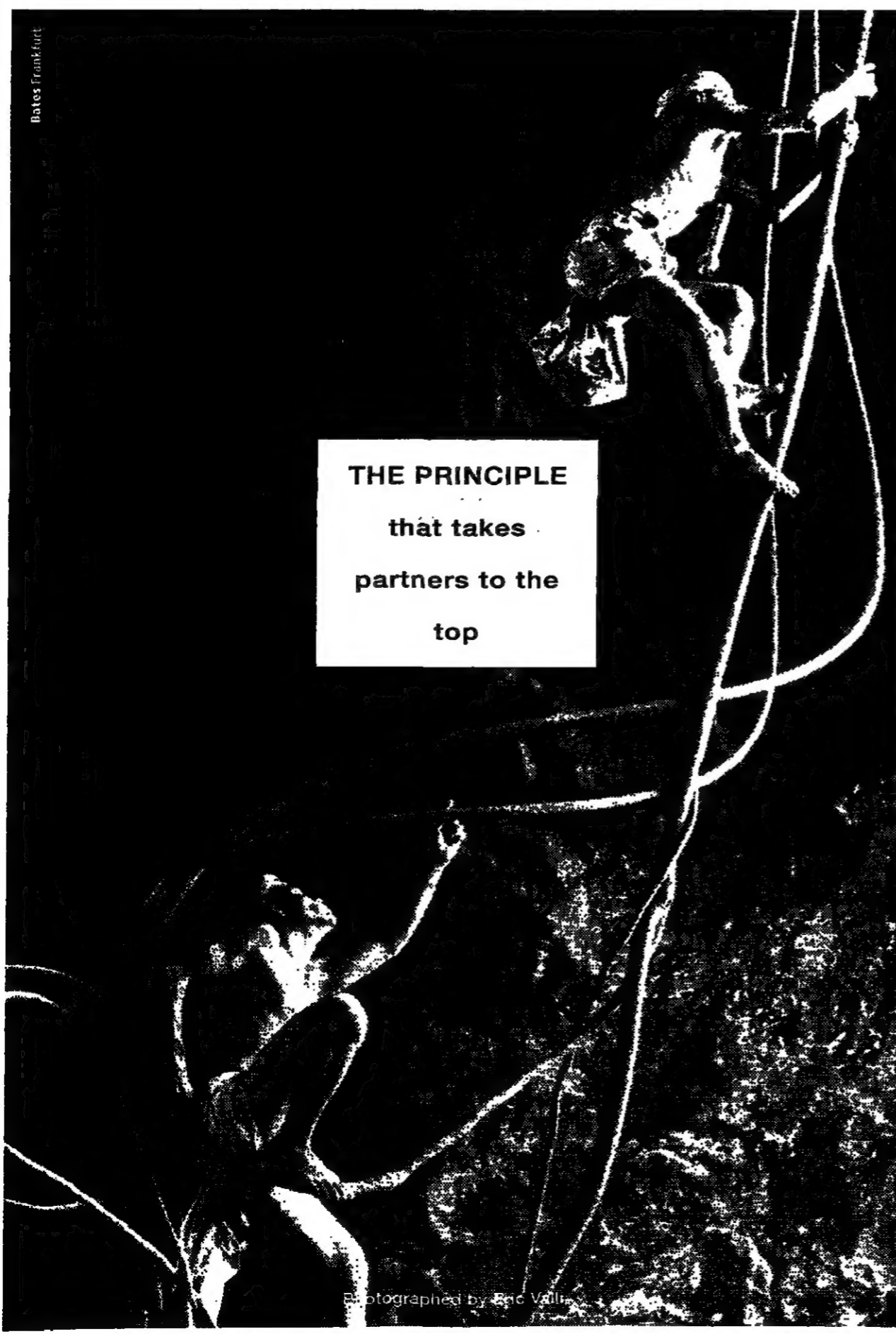
"I don't think they ever really understood the concept of due diligence. We've had a hard time teaching them that a share purchase agreement is more than four pages long," one consultant said. "They now understand that once they sell a company they sell the whole thing - assets and liabilities

- and they understand they no longer have control over what goes on there."

The biggest drawback for Kazakhstan has been the lukewarm interest among foreign investors. Even some open tenders, such as for the Shinkent refinery, drew only one serious bid.

"They could have got better bids," one western lawyer insisted, "by making the process more defined, by adhering to the few rules that exist."

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Perot will not drop out of race

By Jurek Martin in Washington



US ELECTIONS November 5

Mr Ross Perot yesterday dismissed as "weird and inconsequential" an overture from Mr Bob Dole's campaign asking him to drop out of the presidential race and endorse the Republican candidate. He refused to reveal the details of his Wednesday night conversation with Mr Scott Reed, Mr Dole's senior aide, but said: "I will campaign to the bitter end. We have to stay the course. Let's grow up between now and November and focus on the real issues."

Mr Dole himself flatly refused to comment yesterday on the initiative, but, leaving his Florida hotel, admitted he was "frustrated" that he appeared unable to cut into President Bill Clinton's double digit lead in the opinion polls.

But the initiative took even the chairman of the Republican committee by surprise and was widely seen by friend and foe as an act of desperation by the Republican candidate.

Mr Perot, standard bearer of his own Reform party, is pulling only 5-7 points in the polls, well below the 15 per cent of the popular vote he won as an independent in 1992. But he insisted yesterday that if the country voted according to its conscience, he would do far better. "Don't throw away your vote in '96," he pleaded. "Vote for the only group that can make these [necessary] changes. The two main parties can't make these changes."

In a speech prior to answering questions, Mr Perot launched a scathing attack on Mr Clinton's ethics and competence in government. He sounded more like a Republican in condemning White House invitations to drug dealers and the Democratic party's acceptance of campaign contributions from Indonesian and South Korean conglomerates.

But he also criticised Mr Dole for accepting donations from the Fajul family of Florida, wealthy sugar merchants, and said it was apparent both parties were in lock to special interests.

The Clinton campaign could hardly contain its glee over Mr Dole's approach to Mr Perot and did not expect it would be accepted. It was, officials pointed out, at Mr Perot's insistence that Mr Perot was excluded from the two presidential debates out of fear that he would siphon support away from the Republican contender.

Mr Haley Barbour, the party chairman, who knew nothing about the overture, could only repeat yesterday: "One thing is clear: a vote for Perot is a vote for Clinton." Even senior campaign aides travelling with Mr Dole were unaware that Mr Reed had flown to Dallas to talk to Mr Perot.

Most polls suggest that Reform party members have no clear preference for Mr Dole over Mr Clinton. But Mr Perot might help Mr Dole in his native Texas, where the race remains uncomfortably close for the Republican candidate, as well as some western states, where he ran well in 1992 but where the president now enjoys sizeable advantages.

Observer, Page 15

Drugs tide rises around the Caribbean

Island states are split over how to tackle what they see as a US problem, writes Canute James

The increasing use of Trinidad and Tobago by drug traffickers to ship narcotics from South to North America is causing mounting worry in the islands. The concern has reached such a pitch in the government that Mr Basdeo Pandey, the prime minister, has invited the US Drug Enforcement Agency to open an office in Trinidad.

About 40 per cent, or 200,000kg a year, of the cocaine smuggled into the US now passes through the islands of the Caribbean, twice as much as five years ago, according to US government estimates.

However, the region is divided over controversial US proposals for fighting smugglers. While some countries have agreed to allow US law enforcement agencies to use their territorial waters and air space to pursue suspected smugglers, others remain uneasy.

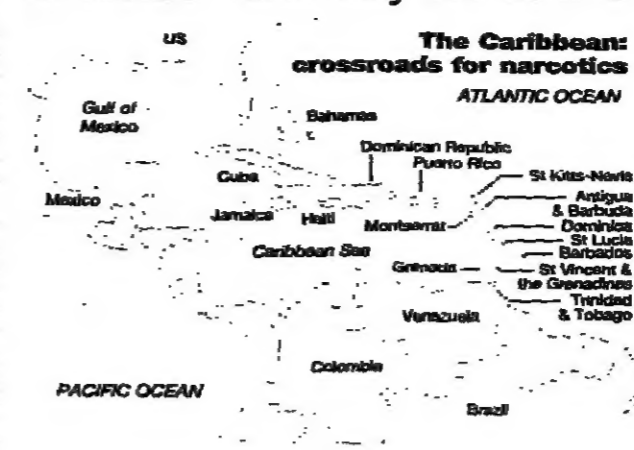
"Ship rider" or "hot pursuit" agreements allow US agents and vessels to operate in the territorial waters and airspace of other countries, if a local official (the "ship rider") is present. US aircraft are allowed into the country's airspace and to force suspicious aircraft to land.

Several nations have signed the agreements, saying they cannot fight traffickers without foreign help. Others have balked, claiming they are concerned about the violation of their sovereignty, and about legal problems with foreign law enforcement agents operating within their jurisdiction.

"Small countries like ours do not have the resources to fight the cartels, and their financial strength is greater than that of our national economies," said Mr Donnell Douglas, prime minister of St Kitts-Nevis. His government has signed a ship rider agreement. "We are pawns in this game as we are situated between the suppliers and the consumers."

Caribbean leaders have frequently complained that the problem is theirs only because of geography, and that it is the US which should be providing the region with the means to combat the problem.

"The US has not given us the resources to fight the traffickers, but has been expecting us to spend money to do this," said Mr Lester Bird, prime minister of Antigua-Barbuda, which has also signed the agreement. "There is a disposition in the



Jamaican security forces." Barbados has similar concerns. Said Mr Owen Arthur, the prime minister: "There are still matters of an entirely legal character that have not yet been resolved in our minds to put us in a condition to feel comfortable about signing the agreement. There is more to fighting drug trafficking than the ship rider agreement."

Such differences have not prevented Jamaica and Barbados from reaching agreements with the US for co-operation between their law enforcement agencies in fighting smugglers, particularly outside their 12-mile maritime zone.

Evidence is growing that although the narcotics which come into the islands are meant mainly for transshipment, increasing quantities are being used locally and with damaging effect in the region, leading to higher levels of violent crime.

Eight out of every 10 crimes committed in Trinidad and Tobago are related to narcotics, said Mr Pandey. Situated just off the South American coast, Trinidad and Tobago is a convenient first stop for traffickers, and an estimated 1,000kg of cocaine passes through every month, he said.

Two years ago St Kitts-Nevis, with a population of 45,000 people, was shaken by the disappearance of a former diplomat, who was a representative of banks being investigated for money laundering, and by several drug-related murders.

In Mr Pandey's view, arguing national sovereignty as one basis for rejecting the ship rider agreement is not the best approach. "We must revisit this concept of sovereignty in the modern world to fight the drug cartels. We must move away from a 19th century concept of sovereignty before we lose our sovereignty to the cartels."

For Sir James Mitchell, prime minister of St Vincent, the ship rider agreements offer a solution in more ways than one. He said the US, and not his government, was now responsible for fighting the smugglers.

"I want to be able to blame the US for what is happening because they say we are not doing enough," he said. "If any drugs are passing through our country and going into the US, then the US agencies have the authority by sky and sea to deal with it. The ball is in their court and not in mine."

Smugglers use the islands increasingly to transship narcotics bound for the US

US which says that if we do not sign, we are not being co-operative." Other countries which have signed are the Bahamas, Dominica, the Dominican Republic, Grenada, St Lucia, St Vincent and Trinidad and Tobago.

Those which have rejected the proposals claim they are at odds with aspects of their legislation. "Jamaica is prepared to co-operate with all countries on the problem of drug interdiction and drug trafficking, but in respect of our territorial space our sovereignty has to be maintained," said Mr Percival Patterson, the prime minister. "This is a matter that has to be dealt with by the

AMERICAN NEWS DIGEST

Falkland oil licences due

The Falkland Islands government will award on Monday the first licences to drill for oil in the waters around the islands, disputed between Britain and Argentina. Bidding is understood to have been concentrated heavily in the zone to the north of the islands, where 12 of the 19 blocks on offer are sited. The other seven are to the south and southeast.

Six international consortia, comprising 14 companies, made bids, including a joint venture between the Argentine oil company YPF and British Gas, with YPF as the junior partner. The government hopes exploration can begin early next year.

The technical merits of the bids have been scrutinised by the British Geological Survey in Edinburgh, which is advising the Falklands government. The UK and Argentina reached an agreement on oil exploration in September last year.

Stephen Fidler, London

Argentine accusations fly

The open warfare that has erupted between Mr Domingo Cavallo, Argentina's former economy minister, and the country's government intensified yesterday when Mr Alberto Kohan, secretary-general to the presidency, said Mr Cavallo's attitude "came close to treason".

Mr Kohan told Clarin newspaper that Mr Cavallo had lied when he testified before a judge earlier this week that Mr Kohan had known that bribes were paid to secure a \$249m computer contract for IBM by state-owned Banco Nación. Mr Juan Carlos Cattaneo, Mr Kohan's assistant, was in April indicted on charges of defrauding the state in the IBM-Banco Nación affair.

Mr Kohan also denied Mr Cavallo's testimony that the two men had held a meeting with President Carlos Menem to discuss the IBM case. Mr Menem has also rejected the claim.

David Pilling, Buenos Aires

Unions target Toronto

Canadian trade unions have called a "day of action" today in Toronto, the country's largest city, in protest at spending cuts and the pro-business policies of Ontario's conservative government.

Providers of some essential services, including public transport, have applied for court injunctions requiring employees to show up for work. However, union members have refused to cross picket lines, and widespread disruption is expected, including at the city's international airport.

The provincial government has shed thousands of civil service jobs as part of its drive to balance the budget by 2001. It has also cut welfare payments by 23 per cent, strengthened employers' legal rights, eased environmental restrictions and begun a sweeping privatisation programme.

Bernard Simon, Toronto

Peru strongman seen in public

Mr Vladimiro Montesinos, Peru's shadowy strongman, has emerged to attend briefings in Lima's government palace during this week's visit to Peru by US drugs policy chief General Barry McCaffrey.

Mr Montesinos, the effective head of Peru's national intelligence service, has been accused by a drugs baron known as "El Vaticano" of having taken kickbacks from Peru's illegal cocaine trade.

Since the allegations, which were subsequently withdrawn, he has been under intense media pressure to make his first public appearance in some six years. Although declining President Alberto Fujimori's suggestion that he give a television interview, Mr Montesinos seems to have achieved total rehabilitation. Gen McCaffrey reportedly shook his head warmly and praised him as an "outstanding and knowledgeable strategist".

Sally Bowen, Lima

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PHILIPS

Today's budget set to keep grip on inflation

Malaysia deficit likely to shrink

By James Kynge
in Kuala Lumpur

The Malaysian government announces its 1997 budget today and economists are predicting the country's worrying current account deficit will shrink significantly this year, thereby dispelling one of the main concerns of stock market investors.

Several economists at think tanks and brokerage houses predicted last night that the budget would not be expansionary and was likely to be either neutral or slightly deflationary.

Its aim, they said, would be to keep the economy expanding at above 8 per cent in 1997 but keep inflation in check. Growth this year is officially forecast at 8.3 per cent.

An influential think tank revised downward its forecast for the shortfall in the current account, which measures the flow of goods, services and short-term capital.

The Malaysian Institute of

Economic Research (MIER) said the deficit for this year would be M\$15.27bn (\$6.1bn), a sharp downward revision from the M\$19.2bn it forecast earlier this year.

The deficit last year was M\$17.5bn, or 8.8 per cent of gross national product. The overwhelming concern of foreign investors this year has been whether the deficit would swell out of control. The task of judging this has not been easy because Malaysia rarely releases figures on its trade in services, where it traditionally incurs the heaviest deficit.

Improvement in the services balance is expected to be slow, but a significantly more favourable merchandise trade picture is expected to alleviate current account worries.

"The positive trend of a falling current account deficit as a percentage of gross national product is definitely there," Mr Stephen Weller, director of Pesaka Jardine Fleming in Kuala Lumpur,

said. "Our forecast for 1997 is that it will be under the magic 5 per cent."

Dr Mahathir Mohamad, the prime minister, has said the reduction of non-essential imports is to be the main thrust of the budget today. Officials said he was referring to manufacturing components which are currently imported but capable of being replaced by locally made products.

For foreign corporate investors, one issue of intense interest is whether Mr Anwar Ibrahim, the deputy prime minister and finance minister, will announce a widely expected 2 per cent cut in corporate tax from 30 per cent now.

Officials said Mr Anwar was expected to unveil incentives to companies trying to climb the technology ladder, in line with the nation's economic masterplan to seek growth over the next five years mainly by capital investment and productivity gains.

Chavalit fails to impress Thai traders

By Ted Bardacke
in Bangkok

Thai voters still have more than three weeks to decide who they want to become their next prime minister. But the stock market, courted heavily this week by leading candidates, has already decided it does not like Gen Chavalit Yongchaiyudh, leader of the New Aspiration party and a front-runner for the premiership.

Yesterday Gen Chavalit attempted to counter criticism that he lacked a coherent plan to restore confidence in Thailand's battered financial markets by speaking to a small group of foreign fund managers via a satellite video conference. It did not appear to work.

He said interest rates were too high but noted they were set by the market and, as prime minister, he could not lower them. He stressed the country was in need of stable administration but offered little hope that he could keep a fractious coalition government united.

And he pledged to appoint outside technocrats to key economic ministries but was unable to come up with names for specific positions.

"I just heard him talk for three hours and I still don't know what he's going to do," said one fund manager. However, Gen Chavalit did distinguish himself from Mr Banharn Silpa-archa, the lame-duck prime minister, by appearing well-versed in basic economic concepts.

"The basic problem is he doesn't have a team clearly thinking out what they want to do and how they might do

it," the fund manager said. This view contrasted sharply with the impression left by Mr Tarrin Nimmanaheminda and Mr Supachai Panitchpakdi, Democrat party economic heavyweights, who addressed a campaign rally earlier in the week at the headquarters of the stock exchange.

The two, tipped to recover their former posts of finance minister and deputy prime minister for international economic affairs respectively, told a cheering crowd of stock market officials and brokerage house employees

'I heard him talk for three hours and I still don't know what he's going to do'

that the Democrats would focus on restoring the independence of capital market regulators, who, over the past year, have been subject to political interference by the Banharn government.

This move would help restore confidence in economic management and augment the flow of foreign funds to Thailand, Mr Tarrin said, with the resulting liquidity helping to push down interest rates.

Mr Supachai pledged to foreign brokers that a Democrat government would offer some short-term remedial measures to boost Thailand's flagging export performance while focusing on the development of a long-term industrial policy and capital market liberalisation.

Australia television 'pacts' under fire

By Nikki Tait in Sydney

The Australian Consumer and Competition Commission watchdog yesterday began legal proceedings against Mr Kerry Packer's Nine Network and Seven Network, run by Mr Kerry Stokes, the Perth-based businessman.

Also targeted was Golden West Network, the West Australian regional broadcaster owned by Mr Stokes, following an unsuccessful effort to sell GWN to Seven earlier this year. The commission is concerned about how far competition may be restricted, in the Darwin television market and Western Australia.

The watchdog alleges agreements between GWN, Seven, Nine, and various subsidiaries in the past year, the first an exclusive 15-year programming supply arrangement, allegedly set up between Nine and GWN in October last year.

The second was another alleged programme supply agreement between Territory Television, a Darwin-based subsidiary of Nine Network, and Amalgamated Television, a Seven offshoot.

The commission claims Nine and Seven came to an understanding Nine would not pursue any further commercial television licences for regional Western Australia, while Seven would withdraw its expression of interest for the second commercial television licence in the Darwin area.

"Pecuniary penalties" and injunctions are being sought against the parties involved, and declarations that the agreements contravene the Trade Practices Act.

Newcomers reach for Japan's skies

Michio Nakamoto reports on a domestic challenge to the big airlines

Flying between cities in Japan is often a crowded, uncomfortable and costly affair. For decades, air travellers have had a limited choice of airlines and rates have been fixed by stringent regulations. A lack of airport space, tough environmental and safety rules and a regulation-happy bureaucracy have frustrated hopes of increasing capacity on the busiest routes.

But the emergence of two prospective entrants into the Japanese domestic airline market last week, coupled with recent deregulation, have raised hopes that consumers may at last reap the benefits of competition.

On October 14 Mr Hideo Sawada, president of HIS, the largest discount travel agent in Japan, announced plans to set up an airline to serve the Tokyo-Sapporo route and slash by as much as a half the rates charged by the large domestic carriers, All Nippon Airways, Japan Airlines and Japan Air System.

This was quickly followed by an announcement that a consortium of small companies based in Hokkaido also planned to operate a cut-price air service on the same route.

If the plans go ahead, the airlines would be the first independent carriers to be established in Japan in more than 40 years.

The new entrants, particularly Mr Sawada, have fuelled expectations that change is afoot in the industry. HIS is well known for pioneering discount international travel and Mr Sawada has long portrayed himself as a champion of consumer interests.

Corruption crackdown hits privileged families

Life gets harder for China's 'princelings'

By John Riddick
in Hong Kong

Times are getting tougher for some of China's "princelings", the privileged sons and daughters of the ruling elite who have acquired wealth through business and political connections.

Last week, Beijing prosecutors said they had filed corruption charges against Mr Zhou Beifang, former head of the Hong Kong operations of Shougang, one of China's biggest business groups with interests from steel to property.

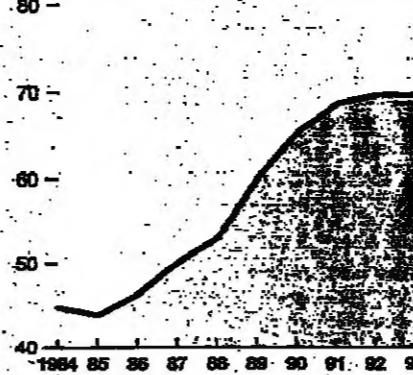
Mr Zhou faces charges of accepting and offering bribes and of concealing properties. Mainland newspapers have referred to his life of "luxury and rottenness" while in Hong Kong, before his arrest last year. Also involved are two former officials of the Beijing city government.

The charges against Mr Zhou, the son of Mr Zhou Guanwu, former chairman and communist party secretary at Shougang, are among the first to be levelled against a "princeling". They come amid a national clampdown on corruption and a spiritual values campaign championed by President Jiang Zemin.

The crackdown on corruption and a move against conspicuous consumption are not the only problems they face. Power shifts in Beijing mean that family connections can lose their clout

Japan's air traffic soars

Domestic airlines millions of passengers



"When we started this business, international air fares were very high. We took up the challenge and now international air fares have come down tremendously," he said. But while Japanese travellers have seen the benefits of competition in international travel, domestic air fares have remained high.

For example, a regular round trip ticket from Tokyo to the southern city of Fukuoka 900km away costs about ¥53,000 (\$469). For not much more it is possible to buy a discounted ticket from Tokyo to Los Angeles.

"I think it is possible to reduce fares, and so we decided to take up the challenge. Somebody has to, or else nothing will change," Mr Sawada said.

Much of the blame for domestic high costs has been pinned on strict regulations, which have curbed competition and kept costs punishingly high.

The ministry of transport, whose apparent role has been to give out permits and licences rather than formu-



late policy, has kept a tight lid on the number of airlines operating in the domestic market. Only routes which have annual passenger traffic exceeding 400,000 can be served by two airlines and only those with more than 700,000 passengers can have three.

Airport fees are among the highest in the world and Japanese airlines complain that in return for slots on lucrative routes they are forced to take on unprofitable routes with low passenger traffic.

The airlines' high costs have also made them increasingly uncompetitive in international markets, forcing them to turn to the domestic market to raise profits.

Critics claim that Japanese airlines must do more to reduce costs, and even the ministry warns that the airlines' very survival is at risk. "The world is moving towards open skies and Japan cannot remain isolated from that trend," Mr Sawada pointed out. "Japa-

nese airlines must prepare for the time when foreign airlines enter the domestic market," by stimulating greater competition.

Against this background, and amid a national drive to deregulate domestic markets and revitalise the Japanese economy, the transport ministry has signalled its readiness to ease rules governing airlines. This year it adopted a system allowing airlines to set their own rates within a 25 per cent band.

But so far the ministry's cautious attempts to deregulate the market have been too limited to have any real impact on competition. Indeed, rather than encourage price competition, the new system led to an overall increase in fares. Since the airlines had little incentive to lower prices in a market where capacity is highly regulated, they raised them instead.

It is hoped the new entrants can provide the kind of cut-throat competition needed to shake things up in the industry.

Both Mr Sawada and Mr

Teruo Hamada, who is leading the Hokkaido consortium, are planning to apply for new landing slots which will become available at Haneda, which serves Tokyo. They believe foreign crews, contracting out maintenance and making better use of information technology are all ways to cut costs.

It is a fair bet that despite the still substantial bureaucratic red tape and the high costs they must bear, at least one of the companies will start flights within the next two years.

Publicly, the main airlines and authorities express support for the new entrants.

The question, however, is whether the trend will become widespread enough to change the entire nature of Japan's domestic airline industry.

The smaller airlines would have difficulty surviving if the big carriers met them with lower prices, particularly if the newcomers incurred their wrath by expanding into other routes. In the US, for example, People's Express had initial success as a cut-price airline serving the busy Los Angeles-San Francisco route, but because it lacked a network it did not survive long in the face of a fare reduction by United Airlines.

Analysts believe that, for the newcomers to become a true force in the market, the ministry needs to ease rules further, increase capacity significantly, along the busier routes and provide more slots to enable them to build a network.

Without such support, competition on the Tokyo-Sapporo route is likely to remain an isolated development.

ASIA-PACIFIC NEWS DIGEST

Plea for 'light hand' on HK

China must govern Hong Kong with a light hand if the colony is to thrive after it returns to Chinese control next year, Mr Christopher Patten, governor of the colony, said yesterday.

He told a conference in Edinburgh that Hong Kong would continue to thrive if it was allowed to pursue broadly the same economic and social policies as it had now, and if it retained its existing political and administrative structure.

A further condition of success was that Hong Kong retained its opposition to "corruption and cronyism", Mr Patten said, and that the people of the colony were prepared to stand up for the values "that have made the city great". These included "a distinct reluctance to whinge".

Mr Patten said China had every reason to want a successful transition. It would gain "enormous face" in showing Hong Kong can do even better under China than under Britain.

James Buxton, Edinburgh

Car output up in Japan

Japan's car industry output inched ahead by 0.3 per cent in the half-year to September, the first six-monthly rise in six years, providing the latest evidence of a gentle economic recovery.

According to the Japan Automobile Manufacturers' Association, the country produced 4.9m vehicles during the period. Output was helped by a last-minute spurt, 7.3 per cent up in September alone, attributed to the launch of a range of sports utility cars and sedans in that month.

Other data released yesterday added evidence of a rise in consumer spending. Sales at supermarkets rose 0.9 per cent in September, the first increase in three months, according to industry figures. Food sales had been hit by a poisoning epidemic during the summer. Department stores, less reliant on food, did better, with a 2.3 per cent rise in sales in September against the same month last year.

William Dawkins, Tokyo

Australian wage rises slow

Wage inflation in Australia slowed to 3.5 per cent year-on-year in August, according to data published yesterday, prompting financial markets to speculate that a further interest rate cut would be possible before Christmas.

The 3.5 per cent rise in average weekly earnings represented a deceleration from the 3.9 per cent figure posted in the previous quarter, and was lower than the 3.7-3.8 per cent expected by most analysts. The wages data are particularly significant because the Reserve Bank of Australia recently indicated that its main concern in interest rate policy was the level of wage settlements.

Nikki Tait, Sydney

Central bank warns Bhutto

Pakistan's central bank yesterday warned the government of Ms Benazir Bhutto, prime minister, to avoid "slippages" in meeting important economic targets. The warning, in the bank's annual report, is a sign of its growing independence under its governor, Mr Muhammad Yaqub, a respected former IMF economist.

The report was released a day before an IMF mission is due to arrive in Islamabad. It comes at a time when Pakistan is urging the Fund to revive a \$600m standby loan, which was stalled in June following IMF disapproval of economic policies.

Parveen Bokhari, Karachi

India quick to cut rates

Indian banks and financial institutions have moved quickly to cut lending rates following an easing of monetary policy at the weekend.

The State Bank of India, the country's largest commercial bank, said it would cut its benchmark prime lending rate by 1 point to 14.5 per cent from November 1. The three leading development finance institutions - Industrial Development Bank, Industrial Credit and Investment Corp and Shipping Credit and Investment Corp - have also decided to cut their prime rates by 0.5 point to 16.5 per cent immediately. They also reduced the cap on interest rates above the prime rate to 3.5 points from 4 points.

Tony Russell, Bombay

The Financial Times plans to publish a Survey on

World Airports

on Monday, November 25

The world's airports will have to deal with an expected doubling in the number of air travellers over the next 20 years. They will have to do so while ensuring their customers remain safe from terrorist attack and while environmentalists oppose expansion of their buildings and runways. This Survey will analyse and assess developments in the industry.

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NZ central bank hints at monetary easing

By Terry Hall in Wellington

The New Zealand dollar and wholesale interest rates fell sharply yesterday after the Reserve Bank hinted at an easing of monetary policy.

The markets were reacting to a surprise statement from the bank, which said policy had "become a little firmer than needed for the task of keeping inflation below the target range of 2 per cent".

There has been a big inflow of overseas funds since the indecisive general election on October 12, and the New Zealand dollar has risen to an eight-year high against both the US and Japanese currencies.

Investors, mainly from Europe and Asia, have been chasing high interest rates, and the Reserve Bank had been seen as unwilling to

relax monetary policy until talks on a coalition government were resolved.

Last week the central bank responded to an unexpectedly low 2.4 per cent inflation figure for the September quarter - which was 0.3 points lower than it and other forecasters had predicted - by saying it saw no grounds for too rapid an easing of policy.

However, in its statement yesterday the Reserve Bank said the "sharp exchange rate appreciation" of recent days had been accompanied by a relatively small drop in interest rates which had led to a marked tightening in overall monetary conditions.

The bank said it could see no requirement for monetary policy to have firmed as much as it had in recent days.

"Unfortunately, in order to keep overall monetary conditions consistent with maintaining price stability, it appears we have to accept rather less interest rate pressure than might be ideal, and rather more exchange rate pressure than might be ideal."

The announcement saw the New Zealand dollar fall by one cent against the Australian and US currencies. The 90-day bill rate, which had been above 10 per cent before the election, fell to 9.07 per cent. Ten-year government stock fell during the day from 7.46 to 7.33 per cent.

The stock exchange also rallied strongly. Before the announcement the NZSE top 40 was down nine points, but it closed up 33 points at 2,311.

Charting future flight path for restructured Airbus

Ross Tieman outlines the European consortium's challenge when it becomes a stand-alone company

Deprived of both a stock market profile and the status accorded a national technology champion, European aircraft manufacturer Airbus Industrie has struggled for a decade or more to win public recognition of its success.

The four-nation consortium has supplanted McDonnell Douglas of the US as the world's second largest civil jet-maker, and is now locked in a bruising battle with Boeing for the top slot in the world's airliner market.

Subsidies are no longer an issue. The challenge now is to turn Airbus from an alliance of European aerospace companies into a stand-alone business capable of fighting Boeing on equal terms.

Tough negotiations are already under way on how best to achieve this among the partners - Aerospatiale of France and Daimler-Benz of Germany, with 37.9 per cent each, British Aerospace with 20 per cent and Casa of

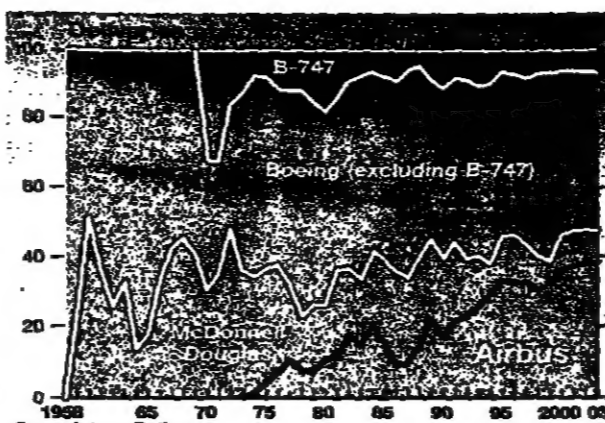
Spain, which has a 4.2 per cent interest.

Inspired by the determination of the French government to retain a place in the aerospace technology race, Airbus is now a business unlike any other.

Its stylish Toulouse headquarters is staffed by employees drawn from the partner companies. The aircraft are designed by collaborating teams, with Aerospatiale responsible for the cockpit, British Aerospace for the wings, and so on.

The partners are obliged to bid competitively to build sub-assemblies, yet receive work roughly equal to their equity in the consortium. It is an arrangement fraught with tensions, which has nonetheless achieved a considerable commercial success.

Since its foundation almost a quarter-century ago, Airbus has launched a range of aircraft that compete with Boeing in every



Flying in the future: the outlook for the main manufacturers

sector of the airliner market from 125 seats to almost 400. Only Boeing's 747 jumbo remains unchallenged.

Airbus now commands around 30 per cent of the airliner market outside the old Soviet Union. Boeing has responded with aggressive cost-cutting and new model programmes.

But the ability of Airbus to drive down costs and raise finance is inhibited by its structure. The issues have been brought to a head by the increasing importance of the business within the activities of its parents, and by the realisation that Airbus will have to pursue its plans for a super-jumbo to compete with the Boeing 747. This will require new partners, and a lot of money.

After a long review, the partners have agreed to turn Airbus into a single corporate entity by 1998. It is now expected that the parent companies will transfer the plants where they do work

on Airbus aircraft to Airbus Industrie. But progress is inhibited by arguments over what assets to inject into Airbus, and at what price.

The sums at stake are enormous. In the first independent research report Lehman Brothers, the US investment bank, estimated that on the strength of its cash flow, market position and so on, Airbus could be worth \$15bn-\$18bn.

Lehman Brothers believes

Airbus is both more efficient than widely acknowledged, and more profitable. Although Airbus has never published its financial results, Lehman estimates that after start-up losses totalling \$8bn, it has been profitable since 1993.

According to Lehman, Airbus is probably already achieving double-digit profit margins, and could already be recording a profit in excess of \$1bn.

Two factors point to a rapid acceleration of Airbus's profits in the near future. It has a relatively modern range of aircraft, with programmes approaching maturity, in an industry with product life-cycles of 25 years or more. Equally, it will, with Boeing, benefit from the strong recovery in airliner demand.

These factors will increase the attractions of an eventual stock market listing

that would enable the partners to realise a profit on their investments.

But incorporation and flotation could have far wider benefits. In the first place, it would provide the flexibility needed to bring new partners aboard, a matter of growing urgency.

To win orders in Asia, the world's fastest-growing aviation market, Airbus needs production links with China. Its planned super-jumbo, the A3XX, could be the vehicle. Yet links between the consortium partners and the Chinese aviation industry are vested in a regional aircraft venture, Aero International Regional (AIR), comprising Aerospatiale, British Aerospace and Alenia of Italy. Airbus would have to establish more formal links with AIR and its partners, in both Europe and Asia.

Airbus also continues to suffer from the ability of the US government to apply greater political leverage in support of its champions in overseas markets. According to Lehman Brothers, one solution might be to take over McDonnell's civil aircraft business - a deal Boeing has already tried unsuccessfully to achieve itself.

Whatever the practicalities of a deal with McDonnell, it is clear that Airbus will need a more flexible structure to facilitate partnerships and fund-raising in the future. The carrot of a cash windfall for the founding partners may serve to accelerate the process.

Boeing results, Page 17

End trade barriers, Apec urged

By Edward Luce in Manila

Asian business leaders yesterday urged their political counterparts in the 18-member Asia Pacific Economic Co-operation (Apec) forum to broaden Apec's scope and bring its trade liberalisation programme closer to the "real world".

In a report presented yesterday to President Fidel Ramos of the Philippines, chairman of Apec in 1996, the Apec business advisory council (Abac) told leaders to go beyond the goal of reducing tariffs on imports and pledge to eliminate other barriers to trade. Apec plans to eliminate all tariffs on trade by 2010 for developed countries and 2020 for developing members.

The report, "Apec means business", said Apec should extend its ambitions to include the dismantling of barriers to the free movement of people, goods, services and capital within the free trade group. Political leaders should also tackle less tangible but equally tiresome obstacles to trade within the region.

"Such restrictions continue to impede the conduct of business [in Apec]," it said. "These restrictions go well beyond tariffs and quotas encompassing a range of non-transparent and complex customs, immigration and other cross-border procedures."

The business group of 36 -

two senior businessmen from each country, which includes Mr Gordon Wu, managing director of Hopewell Holdings of Hong Kong and Mr Frank Shrontz, chairman of Boeing - urged leaders to adopt their recommendations at the Apec heads of state meeting in Manila next month. The recommendations include the creation of an Apec business visa lasting five years and covering all Apec countries on one stamp.

The proposal, which would also set up special lanes for businessmen at immigration, calls for such a system to be put in to practice from January 1997. Some countries - such as Australia and the Philippines - have already agreed to adopt it then.

Abac, which was established at the Apec leaders meeting in Osaka last year, said the free trade forum should set up a central registry for patents and trademarks to boost the flow of technology within Apec.

Apec, which accounted for 46 per cent of global trade in 1995, should also work towards common professional standards in accountancy, architecture and law, said the report.

Apec comprises the US, Canada, Chile, Mexico, Thailand, Malaysia, Singapore, Brunei, the Philippines, Indonesia, Hong Kong, China, Taiwan, South Korea, Japan, Papua New Guinea, Australia and New Zealand.

Mexico enters talks with Mercosur group

By David Pilling in Buenos Aires and Daniel Dombey in Mexico City

Mexico has opened negotiations to become an associate member of Mercosur, the customs union which groups Brazil, Argentina, Uruguay and Paraguay. An agreement is expected next year.

Mr Jaime Zabludovsky, Mexico's under secretary for international trade negotia-

tions, said the current negotiations to put trade relations on a multilateral basis with the Mercosur countries were a transitional step to negotiating a full free trade accord.

Mexico would join Chile, which became an associate member last June. It would sign free trade agreements, but would not have to comply with Mercosur's external tariff regime. Mexico would be unable to do that, because

of its membership of the North American Free Trade Agreement. The other Nafta members are Canada and the US.

Mr Zabludovsky said: "At the moment we have a set of bilateral agreements. We have to change those agreements to recognise that with Mercosur we are dealing with a customs union and that we should not have four separate bilateral agreements."

"If we do not have a fully fledged agreement in the future, our exports will be at a disadvantage."

An agreement would provide a bridge between the continent's two most important trade blocs by far, Nafta and Mercosur. It would also mark a tentative step towards the idea of hemispheric free trade from Alaska to Tierra del Fuego, a goal set in December 1994 at the so-called Summit of the Americas in Miami.

Mr Guido Di Tella, Argentina's foreign minister, acknowledged the dangers of advancing too fast with the expansion of Mercosur, which was only formally established as a customs union in January last year. "We are very aware that, when we consider geographical expansion, we run the risk of dilution," he said. "That is why we have to deepen at the same time."

Deepening meant reaching agreement within the four core Mercosur countries on matters such as standardising labour legislation and free trade in services.

In particular, he said, Argentina wished to push for an open-skies agreement. However, this could not come into effect until the turn of the century when a monopoly granted to Aerolineas Argentinas, the privatised state carrier, expired.

Argentina and US take their troubles to WTO

By David Pilling

The US and Argentina are preparing to file complaints against each other before the World Trade Organisation, claiming unfair trade restrictions on products ranging from beef to sports shoes.

The US complaint centres on textiles and footwear, on which Argentina last year placed so-called specific import duties of up to 125 per cent.

Argentina's action, which Washington claims violates maximum tariffs agreed in the Uruguay round, is aimed at curbing cheap Asian imports, but officials say it is also harming US exporters.

Washington says that Argentina promised to lower these tariffs a year ago, but reneged on the agreement and is actually now proposing a three-year extension.

"We have a trade dispute with Argentina which we can't handle bilaterally, so we need to go to a multilateral organisation like the WTO for arbitration," said a US diplomat.

Buenos Aires is threatening to file counter complaints before the WTO on what it regards as unfair US restrictions on the import of Argentine beef, seasonal steel tubing and peanut butter.

The US, which because of health concerns did not import Argentine beef for decades, recently agreed to import a 20,000-tonne quota following the successful eradication of foot-and-mouth disease in Argentina. Buenos Aires claims the US is stalling on making good its promise.

Argentina also alleges that Washington is unfairly applying quotas to Argentine peanut butter and is using what it regards as spurious dumping allegations to block imports of seamless steel tubing.

US diplomats accuse Argentina of "getting out their laundry list and saying: 'All right, if that's your attitude, we're going to take you to the WTO too'."

"We are talking with the US now to try to avoid reaching that stage [the WTO]," said Mr Guido Di Tella, Argentina's foreign minister.

But neither side was optimistic that bilateral negotiations would be enough to resolve the differences.



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UK NEWS: A DECADE AFTER BIG BANG

Ten years ago this Sunday, financial deregulation swept aside centuries of City tradition and emptied the floor of the Stock Exchange. John Gapper analyses the effects of the Big Bang

Painful struggle back to centre of world markets

Ten years after the series of financial deregulation measures culminating in the "Big Bang" of October 27 1986, the City of London is once more the world's leading international financial centre. Yet regaining its 19th-century place in world markets has proved painful and costly for many.

In one sense, Big Bang achieved all that it was supposed to, in creating more open and liberalised markets and more modern investment banks in the UK. But the institutions that emerged from the struggle are overwhelmingly owned by overseas banks, and they have taken many of their techniques from Wall Street.

To preserve London's role as Europe's dominant centre for modern finance, many City institutions have sought protection from better-capitalised and better-managed parents. For those brokers, jobbers and merchant banks that tried to survive in new forms, there have been many harsh lessons.

At the time of Big Bang - the last of a series of measures that started with the end of exchange controls in 1979 and the deregulation deal struck between the Stock Exchange and the Department of Trade and Industry in 1983 - many of the new City institutions simply had to hope for the best.

"We were jobbing on a Friday with pencils and paper, and on the Monday we traded with computers," says Mr Jonathan Davis, deputy chairman of Barclays Investment Banking arm BZW. "We had constructed a jumbo, but we were not quite sure if it would clear the hedge at the end of the runway."

The idea was to end separation between jobbers, brokers and merchant banks, and allow UK institutions to take on US investment banks such as Morgan Stanley. These had already had 10 years' experience of deregulation as a result of May Day in 1975 - the US market's own Big Bang.

The practice was different. British firms found they had a number of inherited weaknesses:

- **Capital:** Merchant banks had only small hidden reserves, and brokers retained little capital because they dealt on commission. The new institutions not only found they had little experience of committing capital in a sophisticated way, but there was little to commit.



JOHN KEMP-WELCH
chairman, London Stock Exchange

'We had great fun living in a smaller, compartmentalised, local little world. Now everything has changed'

■ **Technology:** Foreign banks that bought brokers, such as Union Bank of Switzerland, soon discovered years of under-investment in technology. "We had big difficulties with settlement, and we had to rebuild all the technology from the ground up," recalls Mr Rudi Mueller, chairman of UBS in London.

■ **Management:** The task of integrating different cultures in the three parts of newly integrated firms was huge. "It took a great deal of time, patience and sweat to identify and blend the best aspects of each firm, rather than falling into the trap of: 'We have bought you, so you will do what we say,'" says Sir David Scholey of SBC Warburg.

There were notable early casualties of mismatches between firms and failures to graft together. Among these were Citicorp's enormously expensive mistake in buying and then shutting the broker Scrimgeour Vickers. Having to grapple with such

tasks meant that the few firms that had elected to remain independent - notably the brokers Cazenove & Co and merchant banks such as N.M. Rothschild and Schroders - gained a comparative advantage.

"Big Bang gave us a huge opportunity," says Mr David Verey, chairman of the merchant bank Lazard Brothers, which did not integrate with a broker. "We were able to increase our market share by leaps and bounds, not because of our own brilliance, but because other people were diverted."

Yet in the past two years, the collapse of Barings and the takeover of S.G. Warburg have demonstrated how difficult it was for the new UK investment banks to prosper in global markets.

Mr Derek Higgs, a former vice-chairman of S.G. Warburg, and the chairman of Prudential Portfolio Managers, says firms such as Warburg were handicapped by the head start given to US firms by earlier liberalisation. They also lacked the strong and sophisticated bond trading arms of US firms.

"If London had deregulated before the US institutions woke up to the fact that there was such a place, then arguably the UK firms could have expanded more robustly," says Mr Higgs. "The average City employee in London had not worked in a world that gave him a broad range of experience."

The result of the upheaval of 1986 was two-fold. It made it clear that, to prosper in modern markets, firms could not remain medium-sized. It also galvanised a second wave of investment by overseas banks into London.

Mr John Kemp-Welch, chairman of the Stock Exchange and formerly joint senior partner of Cazenove & Co, says that Big Bang was "a brave, but brilliantly correct decision", despite some regrets for the past. "We had great fun living in a smaller, compartmentalised, local little world," he says. "Now everything has changed."

Where the big firms came from

■ BROKERS ■ JOBBERS ■ ACQUIRING INSTITUTION

Laing & Crutchshank

Credit Lyonnais

Withdrawn from market-making 1994

Grievson Grant

Kleinwort Benson

Bought by Drescher Bank 1995

de Zoete & Bevan

Barclays

Wedd Durlacher Mordaunt

Pinchin Denny

Morgan Grenfell

Morgan Grenfell withdrew from securities broking and trading 1995; Morgan Grenfell bought by Deutsche Bank 1995; now re-building securities arm

Phillips & Drew

Union Bank of Switzerland

Phillips & Drew name dropped 1993

Smith Brothers

Smith New Court

N.M. Rothschild bought 29.9% stake in Smith Brothers 1994; Formed Smith New Court 1995; Merrill Lynch bought Smith New Court 1995

Savory Millin

Swiss Bank Corporation

Stake in Savory Millin taken by Dow Scandia 1994; swapped to Royal Trust of Canada; bought by Swiss Bank Corporation 1997

Rowe & Pitman

S.G. Warburg & Co

S.G. Warburg Group bought by Swiss Bank Corporation 1995

L. Messel

Shearson Lehman

Vickers de Costa

Citicorp

Securities broking operations closed 1990

Fielding Newson Smith

National Westminster Bank

County NatWest acquired Wood Mackenzie from HS Samuel 1997; County NatWest transferred to NatWest Markets 1992

Wood Mackenzie

Midland Bank/Samuel Montagu

James Capel absorbed Greenwell Montagu when Hongkong and Shanghai took over Midland Bank 1992

W. Greenwell

Hongkong and Shanghai Bank

Hoare Govett

Security Pacific

Hoare Govett sold to ABN Amro 1992; formed joint venture in equity capital markets with N.M. Rothschild & Sons 1998

Henderson Crosthwaite (Far East)

Barings

ING bought Barings' operating businesses in 1995 after collapse of holding company

Cazenove & Co

Sources: FT, ING Barings

Cazenove & Co

GRAPHIC BY BRUNA RADONIC, RESEARCH BY PEDRO DAS GUPTA

Top five then and now...

Stockbrokers by number of clients

1986	1995
Cazenove & Co	Cazenove & Co
Rowe & Pitman	SBC Warburg
Hoare Govett	de Zoete & Bevan
Grievson Grant	James Capel
de Zoete & Bevan	Pinchum Gordon

Sources: Cazenove's Directory of City Connections

Advisers, UK mergers & acquisitions by value

1986	1995
Morgan Grenfell	Barings Brothers
Kleinwort Benson	Lazard Brothers
Gedwain Sachs	SBC Warburg
SG Warburg	Morgan Stanley
Hambros	N.M. Rothschild

Sources: Acquisitions Monthly

Least managers & book numbers by market share

1986 (head managers)	1995 (book numbers)
Credit Suisse First Boston	Merrill Lynch
Nomura Securities	SBC Warburg
Dresdner Bank	CS First Boston/Credit Suisse
Morgan Stanley	Nomura Securities
Deutsche Securities	Morgan Stanley

Sources: (1986) ICD Information Services; (1995) Capital Data Research

SHARE TRADING PAST AND FUTURE - By Nicholas Denton

In front of Mr Andy Ross, a marketmaker in the stocks of UK pharmaceuticals and chemicals companies at SBC Warburg, sits the new face of equity trading.

Among the 10 screens and squawk-box speakerphones crowded into his alcove, or "trading station", one especially large computer display has pride of place. It goes by the unromantic name of GDS, or generic database system, but it has transformed the way he deals.

GDS is an all-embracing risk control system which combines information on SBC Warburg's positions in different shares and derivatives. It adds the latest calculations of volatility - the amount prices move around - and correlations - the degree to which prices move in tandem. The result is a measure of the potential loss to SBC Warburg if an individual share declines, or if the market crashes.

GDS allows SBC Warburg

More comfortable about risk

to execute large orders for customers and feel comfortable with the risks these carry.

At the age of 36, and working at one of the most sophisticated equity trading operations in London, Mr Ross has seen it all. The City was a markedly different place in 1982 when he joined Akroyd & Smithers, one of the distant antecedents of the modern SBC Warburg. Before Big Bang, stock-jobbers such as Akroyd & Smithers could act only in a single capacity. Trading from hexagonal pitches on the floor of the Stock Exchange, jobbers dealt with stockbrokers rather than directly with investors.

The culture, too, was very different. As a "blue button", or trainee dealer, Mr Ross was expected to run errands

for his elders. His course in business management at the London School of Economics was not to be boasted of in front of traders who valued guts rather than intellect.

The structural change

Big Bang: London, October 27 1986

- Physical trading of shares on the floor of the London Stock Exchange replaced by market-makers trading by telephone
- End of the separation between brokers - which sold shares for commission to investors - and jobbers - which traded blocks of shares on the exchange
- Fixed commissions for brokers abolished, allowing firms to compete on price
- Membership of Stock Exchange transferred from individuals to firms

came with Big Bang in 1986 when traders moved from the Stock Exchange to huge open-plan offices. Prices were shown on screens and traders, used to eye contact, had to get used to dealing on the telephone.

Superficially, little has changed. The trading floor on which Mr Ross sits has the same oppressively low ceilings, concealing a thicket of computer and telephone cables. When the air condi-

tioning fails, the equipment can heat the room up to 25C. Traders still shout across the open-plan floor, or into the squawk-boxes. Nor has the archetype of the barrow boy - the trader who could switch with ease from a Lon-

don street market to a securities trading floor - given way entirely to the cerebral mathematician.

For Mr David Balls, the 31-year-old co-head of UK equity trading at SBC Warburg, the "rocket scientists" have their place. But they cannot supplant the born trader. "There are just some people who - whether it's used records or securities - will always make money buying and selling things." And the traditional camaraderie of traders is as important as ever. "I've got no time for anyone who is not funny," says Mr Balls.

Nevertheless, the pace of change is accelerating. Booking a stock trade, which used to take 14 keystrokes, can now be achieved with two clicks of a mouse button on one of the GDS terminals.

Marketmakers are also working harder, taking lunch at their desks rather than slipping out.

As efficiency has improved, Warburg's UK marketmaking team has shrunk from 60 a decade ago to 20 after the takeover by Swiss Bank Corporation. Survivors such as Mr Ross have been those with the capacity to learn.

The role of computers will increase further next year, when the Stock Exchange's new system of order-driven trading comes into operation. In the new trading environment for the top 100 stocks, investment banks will enter a buy order into the computer system, which will automatically match it with a sell order from another trading house.

"I think the change is as big as 1986, if not bigger," says Mr Balls. A decade after the first Big Bang, many marketmakers are now predicting a sequel.

On a switchback ride of mergers and demergers

Sir John Craven, chairman of Deutsche Morgan Grenfell, has lived Big Bang to the full. He advised on many of the formative mergers of the mid-1980s, went on to close the securities operations of Morgan Grenfell later in the decade and then built them up again in the mid-1990s in collaboration with its parent Deutsche Bank.

Along this switchback ride, he has occasionally faced the charge of inconsistency. How can one who helped gain £100m for the partners of Wedd Durlacher Mordaunt have warned other banks against overpaying for jobbers? How can he have closed one securities operation, and then founded another?

Sir John, a forthright man who worked for S.G. Warburg in the 1960s and the embroiled house Credit Suisse White Wadd in the 1970s, rebuts the idea. "People have asked me: 'Did you make a mistake?' he says of his 1983 decision to pull out of securities, "and my answer to that is: 'No, not at all'."

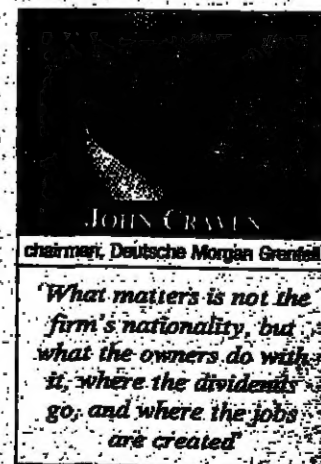
The move did more than throw 350 staff out of work. It also ended the lives of broker Pinchin Denny, which were bought by Morgan Grenfell in the run-up to Big Bang. As such, it was an abrupt change from the Big Bang vision of integrated UK investment banks.

The decision to leave the securities business came in the aftermath of the 1987 crash, which undermined Morgan's hopes of building a first-class securities arm. "By mid-1988, we were losing \$3m a month. It took some decisiveness, but not a great deal of intelligence, to see it was not something we could sustain," he says.

Yet Sir John's career in the early 1990s had been devoted to the formation of

similar combinations of merchant banks, brokers and jobbers. Of the 30 City mergers that took place in the run-up to Big Bang, he estimates that Phoenix Securities, the corporate finance boutique he founded in 1981, had a role in 20.

Many banks overpaid for their acquisitions - of the \$100m that Barclays paid for



JOHN CRAVEN
chairman, Deutsche Morgan Grenfell

'What matters is not the firm's nationality, but what the owners do with it, where the dividends go, and where the jobs are created'

Wedd, £100m went to the partners. Sir John accepts that great, rather than strategic, thinking about the future of the City, played a leading role in many deals. "When acting for brokers or jobbers, we always tried to get the partners to focus on longer-term issues, such as the strengths and weaknesses of the banks they would join. I am bound to say it was not always possible to convince them to think of anything other than top dollar," he says.

THE PEOPLE - By George Graham

It was 'absolute hell with a wooden floor'

Much has changed in the City of London in the ten years since Big Bang but there are still many who started as "blue button" apprentices on the Stock Exchange floor.

While some have regrets about the passing of the old ways, the nostalgia is distinctly muted and coloured by a feeling that many of the changes have been for the better.

"Professionalism in all areas has improved markedly, and not before time," says Mr Fred Carr, who before Big Bang was a partner at the stockbroker Capel-Cure Myers, and today runs Carr Shepherds, a private client business.

Mr Carr has few fond memories of the pre-Big Bang trading conditions, which he recalls as "absolute hell with a wooden floor. You'd come back to the office at 5pm and blow your nose, and clumps of brown wood dust would come out."



EUAN HARKNESS
head of gilts, BZW

'It was a bit like going to Daytona. Everyone had these high-powered, revved-up cars and some of them didn't know how to drive them'

But Mr Leslie Kent, an analyst with MeesPierson, remembers some of the instinctive flair of the old times.

"Some of these old guys could walk through the door, take a sniff of the air and tell you whether the market was going up or down," he says. Although trading has

moved on to the telephone and the computer screen and away from the face-to-face dealing of the old Stock Exchange, few believe that has taken the physical contact out of the City.

"A lot of people have compensated for that. The one thing you will find is that there are just as many pubs and bars in the City as there were before," comments one broker.

"Maybe some of the characters have passed to the Liffé [futures] market," suggests Mr Euan Harkness, now head of gilts at BZW, the investment banking arm of Barclays Bank.

Mr Harkness began his career with a discount house, and at the time of Big Bang was a partner with stockjobbers Wedd Durlacher, one of the firms which made up the kernel of today's BZW. Looking back, he recalls a more leisurely working day and a less demanding market.

"It was a lot more relaxed. When I started people didn't get in till 10 o'clock. I get up at 5.30 in the morning now," he says.

"The gilt market then was effectively two jobbers. You were looking at the UK in isolation. Now when you're trading any of these fixed-interest markets you are trading five different economies," he says.

In the research departments, which have grown spectacularly in size and influence in the last decade, the changes have also been marked. "My spreadsheets 15 years ago were loads of bits of paper sellotaped together. Nowadays I've got data on computer going back to 1986 on 150 companies," says Mr Kent.

The transition from the old partnerships to bank ownership brought new management patterns. Many brokers found banks too slow at making investment decisions. At the same time

many were surprised at their lavish spending on a business they did not seem to understand.

"I was amazed at the banks' attitude to cost control," says Mr Carr, who recalls the bankers' surprise that stockbrokers would share a hotel room on business trips. "That saved £120 a night, and on a three-week trip that was a lot of money," he says.

Memories of October 27 1986 are mixed. "It's a date which is engraved on my heart," says Mr Kent. "I feel it should have been done on a stage-by-stage basis, because a lot of the smaller brokers were left flat-footed and a lot of the big houses made mistakes."

Many dealers had gone to the US for training in the new systems, but when they came back there was still a lot to be learnt.

"It was a bit like going to Daytona," says Mr Harkness.

Concern over BSkyB sports deal

By Raymond Snoddy in London and Emma Tucker in Brussels

Mr Karel Van Miert, the European Competition Commissioner, last night said he planned to look into British Sky Broadcasting's four-year £500m (€600m) deal to show English Premier League soccer matches.

Mr Van Miert told the BBC Radio Five Live programme *Inside Edge* that he was worried about the deal. "We have a lot of questions which we need to sort out as rapidly as possible. We must make sure the maximum

number of people are allowed to see sporting events," the commissioner said.

"We have to question for how long companies are allowed to own these rights. If there are only a few very big companies left having the financial power and having the strength to buy all the interesting broadcasting rights, then something is wrong. They can acquire a dominant position."

Asked if he would intervene in the BSkyB deal Mr Van Miert replied: "We certainly will. We certainly will. And what should not happen

is that those acquiring the rights will be in such a dominant position that they are going to impose the rules."

Mr Van Miert added: "We have to look into the deal, and also the duration of the contract. The sub-licensing system is of importance, and eventually the dominant position a broadcaster might acquire in the market. We have to deal with it."

Exclusive soccer rights are the cornerstone of BSkyB's business, and Sky Sports 1 is one of the satellite channels. According to recent ratings the channel is the most

watched satellite channel in homes with cable and satellite.

BSkyB last night accused the BBC of a "blatant distortion of the facts and a sad commentary on the declining standards at the BBC". Mr Van Miert also issued a statement saying that a distinction had to be made between the need to watch closely all such deals, and formal investigations.

"Such a formal investigation is presently underway as to the Dutch sports channel, especially as regards the seven-year duration of the contract and not as far as

the BSkyB-Premier League is concerned," Mr Van Miert's office said.

The Commission's determination to look at the BSkyB contract, Mr Van Miert said, was part of more general monitoring exercise related to the overall phenomenon of exclusive TV rights on sports events.

It looks unlikely that Mr Van Miert plans to launch a formal investigation of the BSkyB deal, which was won in competition with two other bidders.

Lex, Page 16

Big holiday operators await judgment

Regulator set to decide whether business is conducted along the lines of fair trade

Ms Yvonne Holmes, owner of Classic Travel, a small travel agent in Loughborough, Essex, is sanguine about competition from Lunn Poly and Going Places, the mass-market tour operators which have opened in the town centre since she started her business 12 years ago.

"I'm not frightened of them. We are professional travel agents; they are holiday shops," she says, sitting by a window displaying an award from Travel Weekly, the industry publication, for best independent agent 1996. But like many independent travel agents, she is angered by what she sees as lack of fair play in the business.

The number of independent agents has declined by more than a quarter since 1990, a trend which she claims could lead to domination by big retail chains and less choice for consumers.

The Office of Fair Trading is likely to announce next week whether it intends to refer the packages holiday industry to the Monopolies and Mergers Commission. The OFT cleared the industry of anti-competitive behaviour two years ago but promised to review its findings.

Its investigation is now complete but its length - it lasted more than a year - has given independent com-



Shrinking number of travel agents*

Date	Companies	Loss	%
Jan 1 1990	2965		
Jan 1 1991	2914	51	(1.7)
Jan 1 1992	2748	166	(5.7)
Jan 1 1993	2712	36	(1.3)
Jan 1 1994	2572	140	(5.2)
Jan 1 1995	2430	142	(5.8)
Jan 1 1996	2219	211	(8.6)

Of the 1706 departures, reasons were:

- Financial failure 471
- Merger/Takeover 413
- Closed/Not Financial 279
- Resigned 242
- Terminated by ABTA 301

*ABTA agents Source: ABTA

panies the heart to believe that the OFT's new director-general, Mr John Bridge-man, may be tougher on the bigger companies than Sir Bryan Carsberg, his predecessor.

The industry is divided over the inquiry. In one corner are Thomson and Airtours, the biggest tour operators which own the two biggest travel agents respectively Lunn Poly and Going Places. They account for almost half the package holidays sold.

The companies argue that this vertical integration can-

not be regarded as anti-competitive since there is healthy rivalry in the industry leading to frequent discounting. If the independent agents get their way, holiday prices could rise by as much as 30 per cent, claims Thomson.

The operators also dismiss as ludicrous the suggestion that they offer limited holiday choice, given the ever-increasing range of destinations on offer, and they argue that the independents are trying to protect themselves from competition. But the two companies are

divided on one important issue. While Thomson denies that Lunn Poly favours its holidays, Airtours admits that Going Places promotes its holidays first.

In the opposite corner are the independent holiday companies, many represented by the Association of Independent Tour Operators and Airtours WorldChoice trade bodies. They say that the big companies operate restrictive practices because they demand high levels of commission from independent tour operators in exchange for displaying

their brochures. They also say that consumers should be told that staff are paid incentives linked periodically to the volume of sales of selected tour operators.

Mr Colin Heal, the chairman of Airtours WorldChoice, which represents 600 independent travel agents, said: "Many people still don't realise that if they book through one of the vertically integrated groups, they will almost certainly be sold one of that company's own holidays, fly on one of their planes and, to obtain a discount, be required to take out compulsory high price insurance."

The OFT is likely to focus on three main areas:

- The way travel agents link holiday discounts with the purchase of travel insurance.
- The way big companies choose to disclose the strength of the tie with their parent company.
- The way in which tour operators set commission levels to ensure their brochures appear on the travel agents' shelves.

But whatever the outcome of the long-awaited review, one thing is for certain; the industry will be divided for a long time to come.

Scheherazade Daneshkhu

Stamp duty exemption extended

By David Wighton, Political Correspondent

The City of London yesterday gave a broad welcome to the government's decision to extend the market maker's exemption from stamp duty to all intermediaries trading on UK or European stock exchanges.

The move clears the way for the abolition of the special status of market makers introduced at Big Bang, 10 years ago. Large market makers said they were pleased that the government had responded to their concerns about restrictions on the exemption.

When the proposal was first put forward in July, the government suggested that relief should be confined to shares that were bought and sold within a set period.

But in a House of Commons statement yesterday, Mr Kenneth Clarke, the chancellor of the exchequer, said the Treasury had concluded this would not be necessary. Mr Clarke said it would impose additional compliance costs on firms and encourage a new type of tax-driven trading. Yet it would do little to protect the revenue from stamp duty on shares.

He said the new regime was expected to deliver roughly the same yield from stamp duty on shares which currently brings in about £1.3bn (£2.02bn) a year.

The Stock Exchange welcomed the change which will underpin the development of new markets operating without market makers.

The move also has the backing of the Securities and Investments Board, which believes it will encourage liquidity on new markets such as Tradepoint, the screen-based equity exchange.

Although the changes are expected to be revenue neutral, the chancellor warned that he was taking reserve powers to impose a non-zero rate of stamp duty on share purchases.

UK NEWS DIGEST

Multi-speed EU plan attacked

Mr Malcolm Rifkind, the foreign secretary, yesterday set the UK government on a collision course with France and Germany over their proposals for a "multi-speed" Europe, in which groups of European Union countries could move faster than others towards integration.

On the second day of Commons debate on the government's last legislative programme before the election, Mr Rifkind acknowledged that the EU would acquire a more "flexible" structure, with different countries co-operating in respect of varying projects. However he also voiced concern over Franco-German proposals, launched earlier this week, to establish a framework for such flexibility. These will be discussed at the Intergovernmental Conference on EU constitutional reforms.

Mr Rifkind said any proposal to create a core of countries more closely integrated within the EU institutional framework should only go ahead "if all 15 states can agree". The UK could veto the Franco-German plan since all IGC reforms require unanimity.

Robert Peston

MAD COW DISEASE

Need for beef ban 'reinforced'

Mr Franz Fischler, the European agriculture commissioner, said yesterday that new evidence that mad cow disease could be transmitted to humans reinforced the need for a continuing ban on British beef and a further cull of cattle.

Research published this week by a team from London's Imperial College found that a new variant of a fatal brain disease in humans, Creutzfeldt Jakob Disease, left chemical traces similar to bovine spongiform encephalopathy or mad cow disease. The European Union banned exports of British beef in March after the British government announced a possible link between the two diseases.

Mr John Major, the prime minister, said yesterday Britain had already taken measures to counter the possibility that BSE could spread from contaminated beef to humans. A Commission official said the evidence did not suggest that "further precautionary measures" were needed. However, if the EU's veterinary committee recommended that further action should be taken "we will do it".

Financial Times Reporters

UTILITY REGULATION

Call for decisions to be more open

The Confederation of British Industry yesterday said that the regulators of utilities should conduct their business in a more open way and reach decisions after consulting an advisory board of experts.

The UK's largest employers' lobby said, however, it thought the RPI-X method of price control had worked well and it rejected calls for its abolition in favour of other forms of financial control over the utilities.

Mr Peter Agar, deputy director-general, said RPI-X was not perfect, but "it has been effective in achieving benefits for customers and for providing the right sort of incentive for the utilities to reduce costs."

The comments came as the CBI published a discussion paper on how to regulate the regulators.

It comes a week before the Commons trade and industry committee begins hearings into the work of the regulatory bodies.

Simon Holberton

Editorial Comment, Page 15

Air price review boosts Terminal 5

By Motoko Rich in London

Price controls on landing and take-off charges at Heathrow, Gatwick and Stansted should provide BAA, the airports operator, with about £230m (£350m) of funding for the building of a fifth terminal at Heathrow airport.

The Civil Aviation Authority yesterday confirmed market expectations as it announced that it would restrict price rises at Heathrow and Gatwick to no more than three percentage points below inflation over the next five years. This would provide BAA with an average return on capital of 7.5 per cent and funding for its investment in Terminal 5.

Shares in BAA rose 15 pence to 519½p. The CAA said it would permit BAA to raise its charges at Stansted, the smallest of its London airports, by one percentage point above the retail price index.

The CAA has endorsed recommendations made by the Monopolies and Mergers Commission in July. The new caps represent an easing of the current regime,

under which increases in charges have amounted to an average cap of inflation minus four percentage points.

Under the new formula - which is subject to an annual review - the CAA said prices at Heathrow should rise at least one percentage point ahead of price increases at Gatwick.

Because the bulk of capital investment would be at the west London airport, Terminal 5 led to it being scrapped - or a Labour government put it out to tender - the CAA could adjust the price caps to changes in BAA's investment needs before the five-year period elapsed. BAA will be allowed to recover £55m in lost profit due to the abolition of intra-EU duty and tax free allowances in 1999.

The Department of Transport is expected to confirm within the next few weeks that plans to privatise Britain's air traffic control service, a move which could raise £500m for the Treasury, have been postponed by the government until after the general election.

Ruling on VAT refunds hits gilts

By Jim Kelly, Accountancy Correspondent

Argos, the catalogue retailer, was overtaxed by £1.4m (£2.3m) on special discount offers to customers and will be refunded following an unexpected ruling yesterday from the European Court of Justice.

The ruling, and a similar one in favour of Elida Gibbs, the personal products manufacturer, which claimed £880,000, overturned an expert opinion given by the court's own advocate general in June.

Customs and Excise said the ruling would apply to some other companies making similar VAT claims and could cost the exchequer £70m. The Treasury indicated earlier that total refunds could reach £200m.

Customs said its lower figure was based on the government's recent decision to limit back claims on VAT to just three years, rather than allowing retrospective claims to 1973 when VAT was introduced.

The decision will cut the amount refunded to Argos

and Elida Gibbs. The government decided to impose the time limit to protect the public finances from a flood of VAT claims which could have reached several hundred million pounds.

However, the time limit is being challenged in the courts and faces opposition from industry when the government tries to enforce it in law in this year's finance bill.

UK government bonds fell sharply following the court decision amid rumours about the potential impact on government finances ahead of the Budget.

"Because the whole situation is caught up in legal wrangling, it creates an ideal scenario for rumour-mongering," said Mr Huw Roberts, a bonds strategist at NatWest Markets.

The December long gilt futures contract traded at Liffe, the London futures exchange, fell by 0.15 on the day to settle at 109.10. In just three years, the benchmark 10-year gilt fell by 2 to 98½, and its yield rose eight basis points to 7.63 per cent.

Scandex chief had help at the top

Scandex Capital Management, a company whose customers lost more than £1m (£1.5m) on high-risk currency trades before a clampdown by British and Danish regulators, was not a one-man show.

In the course of proceedings brought by Britain's Securities and Investments Board, Scandex and Mr Jeremy Bartholomew-White, its managing director, have given unhelpful, unauthorised investment business, make misleading statements or make "cold calls" in the UK.

Although Mr Bartholomew-White was in the spotlight this week as he appeared in the High Court in connection with the SIB action, Scandex's day-to-day operations, which included sales of shares as well as foreign exchange trading, relied heavily on Mr Ian Farrell and Mr Adrian Jewkes.

"I was there for seven months and we hardly ever saw Jeremy Bartholomew-White," said one former Scandex salesman. Another said: "I never met him." Mr Bartholomew-White said in court he was now the "sole director" of Scandex and that letters to investors were written in his name. But he rarely visited Copenhagen, according to a former salesman, while Farrell and Jewkes were there every week without fail. They usually came on Tuesday and left on Friday.

Mr Bartholomew-White and the two men themselves describe the role of Mr Farrell and Mr Jewkes as "consultants". All three had been shareholders in Scandex, said although Mr Jewkes said yesterday he no longer had a beneficial interest.

Mr Farrell was Mr Bartholomew-White's co-owner and fellow director at Euro

Currency Corporation, a UK foreign exchange company which ceased trading in April. Of Mr Farrell's role at Scandex, a former salesman said: "He was the top man. He ran that company lock, stock and barrel."

But Mr Tom Sherston, Scandex's foreign exchange trading manager, said yesterday: "Jeremy Bartholomew-White was always the person who made the ultimate decisions." Mr Farrell often had to consult Mr Bartholomew-White, he said.

Mr Jewkes was responsible for the share sales division of Scandex, where the size of customers' potential exposure has not yet been established. He is chairman of Park Equity Services, a financial intermediary based in Tunbridge Wells, Kent.

He was also a director, with Mr Bartholomew-White, of Anderson Ross, a currency trader which took over the offices and telephone

number of Euro Currency. Both had left the board before Anderson Ross withdrew its application for authorisation by the Securities and Futures Authority.

Mr Jewkes said Scandex was a professional client of Park Equity and had bought stock from it on occasions. Park Equity and Scandex were "entirely separate companies with different shareholders and they dealt at arm's length with each other," Mr Jewkes said. Park Equity itself had not been involved in Copenhagen.

Park Equity's customer lists were "almost certainly used" by employees who left were free to take such lists with them under their terms of contract and some did join both Scandex and Anderson Ross," he said. Mr Farrell was not prepared to talk to the FT yesterday.

Clay Harris

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The Department's objectives for the sale are to secure the continued provision of high quality, independent and impartial research and development and advice, at good value for money, that meets the requirements of Government and industry and is responsive to the commercial needs of industry; to transfer the Establishment to the private sector by the end of February 1997; and to optimise the net proceeds to the taxpayer.

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LEGAL NOTICES

BRITANNIA LIFE HOLDINGS LIMITED

A Petition has been presented to the court of Session in Edinburgh by Britannia Life Holdings Limited, a Company incorporated under the Companies Act, and having its Registered Office at Britannia Court, 30 Botsford Street, Glasgow, G2 6HR, for confirmation of reduction of its share capital. The Court has now made an order in this Petition in the following terms: "Edinburgh, 22nd October 1996. The Lords approve the Petition to be returned on the Writ in common form and to be advertised once in the Edinburgh Gazette and once in each of the Financial Times and Herald newspapers and appoint all parties claiming an interest to lodge Answers thereto, if so advised, within 31 days after such intimation and advertisement."

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SURVEY: LARGE CORPORATE PROPERTIES

■ Headquarters: by Simon London

Small is the fashion for head offices

Surplus space has become a substantial overhead in recent years

The Grosvenor Estate, which owns large tracts of central London, will soon start the redevelopment of Hobart House, a 1930s brick building overlooking the gardens of Buckingham Palace.

In the past the developer would probably have aimed at putting up the largest possible building consistent with the planning regulations governing the sensitive site.

But the new Hobart House will sacrifice floorspace for flexibility.

Although it looks like a single block from the outside, the building is designed to cater for several occupiers sharing common facilities, grouped around an unusually large central atrium.

Dick de Broekert, Grosvenor Estate development director, says the design is the result of research which

shows that large companies are looking for smaller, more flexible head offices.

Companies recognise that a smaller corporate centre cannot support dedicated services such as staff catering or conference facilities. One solution is to share these facilities among a number of tenants in a single building, he says.

Andrew Gould, head of consulting at Jones Lang Wootton, the chartered surveyors, points to two parallel trends among corporate occupiers.

First, head offices are becoming smaller and acting as control centres for operating businesses.

These compact offices are likely to be located in prime locations in central business districts, enabling senior managers to mingle with their peers.

Examples of this reduced head office function might include the small Mayfair head office occupied by Zeneca, the pharmaceuticals company which demerged three years ago from ICI, the chemicals group.

The second trend is that companies are recognising the value of consolidating operating company management into single buildings to encourage greater communication between business units.

"Buildings are increasingly about communication rather than bureaucracy. The days of offices-as-paper-factories are over," says Mr Gould.

The financial services sector is already well advanced with consolidation. Financial institutions such as Citibank and Merrill Lynch, which until recently occupied a number of dispersed locations, are now favouring a single large headquarters.

Industrial and commercial companies are starting to pick up on the trend.

Peter Cole of Hammerson,



Look into the future: Hammerson is building a 200,000 sq ft block designed for either a single tenant or floor-by-floor letting at Globe House overlooking the River Thames in London

the property development company, believes that occupiers are much more flexible about location for this new generation of big buildings.

The traditional central London business districts will have to compete with outlying areas such as docklands and the western corridor, stretching out to Heathrow airport.

The western corridor has already been dubbed "brand avenue" because a large number of international consumer goods companies have taken buildings in the area.

Recent examples include Disney, the US entertainment group, and Seagram,

the Canadian drinks and media group which last year leased the futuristic Ark building in Hammersmith.

Such companies demand good access to transport connections - essential for communication-oriented offices - and facilities for staff.

For developers in central London, the challenge is to provide new buildings which are flexible enough to accommodate either a large operational headquarters or a number of smaller corporate centres.

At Globe House, overlooking the Thames, Hammerson is building a 200,000 sq ft block designed for either a

single tenant or floor-by-floor letting.

Unlike the new Hobart House, the floorplan is conventional, with only a small atrium to bring light into the building. But each 20,000 sq ft floor has been designed to allow sub-division or sub-letting.

Similar flexibility is already paying off in other buildings. In the City of London, British Land, the property company, has failed to find a large single tenant for its 160,000 sq ft Corn Exchange development and is now considering whether to move to a floor-by-floor strategy.

Hammerson hopes that the flexible design of Globe House will help attract a single large tenant because surplus space could be sub-let rather than lying vacant.

Surplus space has become a substantial overhead in recent years for UK businesses.

Similar problems could be avoided in future by designing buildings which can be divided in a number of different ways.

In addition to flexibility, companies are also interested in the operational efficiency of their buildings. For most companies, this means large floors which can be

arranged in a variety of different layouts.

Research shows that the rate of "churn" - the number of times employees move desks - has been rising fast since the mid-1980s. The cost of this constant flux can be minimised by designing buildings which are easy to re-arrange.

With this in mind, many developers now use space planning at an early stage of the design of a new building. A buzz-phrase among all tenants and developers is "flexible efficiency".

Non-financial companies tend to view floors of about 20,000 sq ft as optimum size,

enabling 150 to 200 staff to be accommodated on a single level. Investment banks will take floors of up to twice this size to accommodate their dealing operations.

Hammerson was willing to incur additional costs to reduce the number of internal columns on each floor of Globe House. It hopes this will make it easier for tenants to arrange the space and make the building easier to let.

"Three years ago most corporate occupiers were still cost-cutting. Today, they are looking for efficiency," says Mr Cole.



Andrew Gould: communication rather than bureaucracy

■ In and out of town: by David Lawson

Office parks are still popular

Most towns cannot accommodate large users looking for modern buildings

A shiver went round the property industry as the government issued planning guidelines this summer which made plain the commitment to restrict development outside town centres. But it was more a feeling of excitement than despair.

"It is all much too late," says Simon Ives, of surveyors Chesterton. Councils around the UK have already designated enough land for office parks to last them for the rest of the decade. Where shortages do occur, it will merely push up the value of existing sites rather than force big businesses back into centres.

The problem is that most towns cannot accommodate large office users looking for modern buildings. Well-located sites are like gold dust and the surplus of vacant space built in the boom has dwindled to vanishing point. Little new development is taking place because funding is still scarce.

In any case, many businesses no longer want to be in centres. They have grown used to the airy spaces and

glossy buildings that have sprung up on business parks over the past decade. "This will continue to make life difficult for town centres," says Mr Ives.

"The professions, banks and a number of institutions still prefer central locations, but those less traditional - and possibly more pragmatic - see substantial advantage in going out of town."

Some classic examples have recently emerged in the economic cauldron west of London, where electronics companies have renewed the spectacular growth rate of the 1980s. Microsoft has bought more than 30 acres on the Thames Valley Business Park from Argent. This gives space for a new 250,000 sq ft headquarters plus elbow room for twice that amount in future expansion. Novell has matched its fierce rival by spending more than £20m on a site at Arlington's business park in Bracknell to replace its town centre headquarters.

The trend away from town centres a decade ago was linked to costs. Rents were soaring; so were local authority rates. Today, rents are often higher outside towns than in the centre across much of the country. Even in London the gap has narrowed. Latest lettings on Stockley Park near Heath-

row are more than £26 a sq ft. That is still well below the £45 Richard Ellis is quoting as top rents in the West End but higher than the depressed mid-town area of Holborn.

Location decisions nowadays revolve less around headline costs, however. Companies are more concerned about getting the right quality space in surroundings that will attract and hold staff. That is almost always away from town centres. Notable exceptions such as Brindleyplace, Birmingham, and the potential GMEX redevelopment in Manchester merely accentuate the general rule. Even London Docklands no longer has 200,000 sq ft blocks available at the drop of a hat - at least until Canary Wharf gets into a new development chapter.

Investors are gradually growing disenchanted with city centres and just not providing the space for businesses to shop around. But that is only a reflection of what is happening among occupiers, according to Angus McIntosh, head of research at Richard Ellis. He points out that big question marks hang over the future of offices as tenants reduce space demands.

New technology brought the first wave of staff cuts.

Outsourcing of catering, cleaning, transport and other non-core services will streamline organisations even more. The rump left is likely to use space more intensively as techniques such as hot-desking and homeworking are introduced.

So there are likely to be

Across much of the country, rents are often higher outside towns than in the centre

fewer large corporate buildings in future. Those that are built will be commissioned by companies rather than picked off the shelf - partly because businesses are now more sophisticated in their demands but also through a lack of funding for speculative development.

These buildings are also more likely to be on parks where planning permission has already been granted. The exception could be in large redundant blocks in town centres where renovation is possible to a high

standard. These have the crucial advantage of generous car parking provisions which were set back in the days when no-one had heard of the ozone layer and global warming. Today, an occupier would be lucky to get even the much-reduced number provided in local plans.

Instead, there are numerous examples of councils not only restricting parking below their own standards but demanding payment for the "phantom" spaces as a contribution to local facilities. This sends out bad vibrations to companies already smarting from tighter restrictions on access.

This is compounding rather than solving town centre problems, says Mr Ives. He cites Leeds, which insists on only one space for approximately 2,000 sq ft of lettable accommodation - roughly one for every 18 to 20 people.

"One sympathises with their desire to reduce pollution but there is simply no alternative to the car," he says. The trains were seen as unreliable and the old buses clanking around the city felt to produce far more noise and fumes than any cars.

Even planned improvements such as park-and-ride would not satisfy the typical business executive who faces

a wet February morning at a bus stop rather than the warmth of a BMW.

Set this against the generous parking provisions already granted to business parks and it seems inevitable that companies will look outside town centres for new homes.

This will polarise property values in favour of flexible, modern space which is easily accessible by car and leave behind those in marginal locations.

The change in meaning of "marginal" from city fringe to city centre could have a traumatic impact on many areas. Ironically, this is the very reason why the government has come down so heavily on green field development.

It was ostensibly aimed at preventing shopping centres draining the life from town centres. But the "sequential" test - involving looking at all central options before gradually working outwards - also applies to other buildings.

The problem is companies looking for large new property already have an escape route already prepared. Blocking that will require a lot more involvement in raising standards in city centres. Even then, the space may not be available to meet their wishes.

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11 LARGE CORPORATE PROPERTIES

THE PROPERTY MARKET

Strategies for surplus spaces by Christine Moir

Room for manoeuvre

Many companies have only a hazy picture of their property holdings

One consequence of the corporate management fashion for downsizing, delayering, outsourcing and general belt-tightening has been the creation of buildings surplus to requirements. When, as now, that trend has coincided with a long and deep recession the stock of surplus space becomes a national phenomenon.

Most managements just bite the bullet when it happens and try to offload each surplus building as best they can. A few, however, are learning that it is possible to devise a corporate property management strategy which reduces the cost of exiting from a property or may even eliminate the need.

Property consultants advise starting with the creation of a property database covering all buildings owned or leased, together with detailed profiles for each.

These might include: the lease structure, rent bill and lease breaks; an environmental liability (for example, redevelopment of the Department of the Environment's headquarters in Marsham Street, London SW1 is complicated by its being on the site of an old gas works); present and prospective occupancy levels and local demand for similar properties.

However unlikely it may seem, many companies, particularly multinationals, have only a hazy picture of their property holdings, according to James Holling-

ton of Healey & Baker's corporate services unit. Property management is typically delegated to the individual plant manager. The country manager may have a fair idea of which buildings come under his/her jurisdiction but the group board is unlikely to have any detailed picture, especially where there have been cross-border acquisitions of long-running, trouble-free businesses.

Building a picture of the property portfolio at once increases a company's flexibility. If the building which becomes surplus proves to have heavy exit costs compared with others held by the company (an unfavourable lease break date, perhaps, or low demand by possible future occupiers) it may be possible to release another building with a better resale or sub-letting profile.

Seeing the picture as a whole also allows the board to judge more accurately just how effectively they are using their properties. It may be that more than the immediate building is underused.

Co-location on one site by two or more formerly free-standing operations may reduce costs.

It may be possible to relocate certain functions to cheaper areas (or even cheaper countries). This could allow the company to release prime properties on the market.

Companies able to see beyond the individual building may be able to time the release of redundant properties to maximise their attractions.

In a weak market this may still result in unpalatable



William McKee: not all buildings are suitable for conversion



James Hollington: board may not have a detailed picture

options but at least the company will be taking the best decision under the circumstances. Thus, when Marks & Spencer re-organised and modernised its distribution operations some 18 months ago, it faced the fact that its smaller, older warehouses were so unattractive that it agreed to pay a premium to persuade potential new tenants to take them over. At least it saved on the cost of demolition or managing them as empty shells.

Once the board comes to grips with its portfolio and its space needs, it can concentrate on strategies for individual buildings. It may be that a particular redundant property will have to remain empty and idle (be taken into stock, as the jargon has it). But that, says H & B's Mr Hollington, is only for extreme cases. Many possible alternatives can be explored.

Change of use is one of the most publicised alternatives at present, particularly conversion of commercial properties to residential use, in line with government planning policy to promote mixed use of town centres. Government departments may even be leading the way in this respect: witness the redevelopment of the Treasury building in Whitehall where part of the space could become upmarket apartments with a view across Green Park to Buckingham Palace.

Other well known conversions include that of County Hall, the former GLC offices opposite the Houses of Parliament, into apartments and the similar re-use of Shell's second Thames-side building not many yards away.

Residential use is being found for former commercial buildings in town centres all over the country. One of the more pleasant ironies is to see the dark, satanic mills of Manchester and Leeds converted to stylish apartments to support the new cafe society rejuvenating those city centres.

William McKee, director-general of the British Property Federation, warns, however, that not all buildings are suitable for simple conversion. Apartments carved from old multi-storey commercial buildings may attract city dwellers; they do not easily convert to family-style properties suitable for the suburbs.

By no means all of them convert comfortably even to other commercial uses. A decade ago out-of-town retail warehouses were seen as obvious inheritors of redundant industrial buildings. Today it is clear that their layout is rarely suitable and it is far more likely that existing buildings will be demolished and the land redeveloped as in the case of the old Fiat factory on the Great West Road out of London which now provides four decentralised office buildings for Wang, Samsung, Mercury and Nokia.

More ambitious redevelopment may be contemplated where neighbouring property owners can obtain the backing of the local authority for a community project. The Oxo Tower (now a complex of community housing, workshops and restaurant) may have offered a unique location, gazing across the Thames to St Paul's. Mr Hollington, however, points to a redevelopment scheme in Nottingham and the revitalisation of Associated British Ports' derelict land in Hull as two examples of innovative community schemes.

Mr McKee at the BPF cites the role of local government in turning surplus commercial land into parks and open spaces, non-commercial perhaps but socially valuable.

Cash-strapped local authorities may not be in a position to exercise this function but, longer term, as Mr McKee points out, they will need to become a part of the network which finds the best way of minimising what many believe will be a permanent surplus of less than prime commercial property.



Room with a view: the Treasury building in Whitehall (left)

Specifications by Simon London

Era of understatement

Space planning has encouraged developers to build wider buildings

If the 1980s was a decade of statement buildings, the 1990s is an era of understatement. This is reflected in the outward appearance of new offices and their detailed specification.

Glamorous buildings - famously described by Stuart Lipton, the developer, as offering "maximum marble, minimum value" - are certainly out of fashion with corporate occupiers.

Today's landmark offices tend to use steel, glass and stone rather than marble and polished granite. While many buildings still include an atrium, its principal function is now to bring daylight into the building rather than to accommodate hanging gardens and fountains.

Beneath the surface, subtle changes have taken place in the way in which office buildings are constructed. The use of space planning has encouraged developers to build wider buildings, which in theory allow more efficient use of internal space.

Chris Stickland, development director at Greycoat, the property company, believes that the optimum width for a modern office building is 18 metres.

This allows for a row of cellular offices down each side, two corridors and a central area which can be used for either open plan or additional cellular offices. Wider buildings demand

higher ceilings to avoid giving a cramped impression to their occupants. Many new office developments offer a floor-to-ceiling height of up to nine feet, perhaps six inches higher than the industry standard of the late 1980s.

But, surprisingly, the overall height of new buildings is lower than older buildings with an equivalent number of floors.

Developers no longer incorporate very deep ceiling voids - to accommodate powerful air-conditioning - as a matter of course. This is partly because tenants have rebelled against paying for air-conditioning systems which are more elaborate than they needed.

A common complaint in the late 1980s was that the office buildings provided by developers were over-specified and therefore expensive.

For example, powerful "variable air volume" air-conditioning was fitted in many speculative buildings, even although the system demands large ducts and deep ceiling voids to channel cool air around a building. Today, developers have drifted back towards cold-water systems that require less space and are perfectly adequate for all but the most demanding occupiers.

Mr Stickland believes that in the past too many buildings were designed according to received wisdom rather than according to the needs of tenants.

Speculative development certainly breeds an innate conservatism. Developers have to cater for the widest possible range of potential tenants.

They are also designing with one eye on the tastes of investment institutions, often the providers of development finance.

The net result is that few speculative buildings break new ground in terms of design and specification. Market forces demand a standard product that takes few risks and appeals to a wide audience.

"There is inevitably a degree of over-specification in speculative development. We have to cater for as many potential occupiers as possible," says Gerald Kaye, development director of Helical Bar, the property company.

The British Council for Offices, which brings together tenants and developers, in 1994 published a standard specification for offices.

The document aims to provide a benchmark for basic office design, avoiding over-specification in matters such as floor-loading (the amount of weight a floor can take) and air conditioning capacity.

The BCO guidelines have been influential. Mr Kaye points out that floor loadings have typically been reduced by half since the late 1980s, saving construction costs and, ultimately, rent.

But caution and standardisation have not squeezed out innovation altogether. Some developers are experimenting with new technology such as chilled ceilings, which are thought to be more energy efficient than traditional air-conditioning units.

The Helicon development in the City of London - by

London & Manchester, the life insurance company - is one of a handful of speculative schemes to include this system.

Developers are also experimenting with natural ventilation - windows that open rather than sealed units with air-conditioning.

Noise and traffic pollution make natural ventilation an unlikely choice for most city-centre offices. The most notable examples are owner-occupied buildings in out-of-town locations.

As concern among tenants for environmental protection increases, more office buildings will incorporate such energy-efficient cooling.

Developers already regard a full environmental audit - covering energy efficiency, materials and the construction process - as a sound investment on large projects.

The Building Research Establishment also publishes an off-the-shelf points system against which developers can measure the environmental credentials of a new building.

The consensus among developers is that environmental concerns are rarely the central factor in deciding whether a new building will let.

But tenants like to be able to boast that their building is "green" and it costs little to take environmental issues into account during the design process.

Concern for the environment also fits neatly into the overall ethos of 1990s office development, using less expensive materials in a more efficient way.

A West End opening

Simon London examines the Minerva flotation plans

Minerva, the private property company owned by Mr David Garrard and Mr Andrew Rosenfeld, plans to float next month in a deal likely to value the company at more than £150m.

Founded in 1988, the company has net assets of about £100m and plans to raise more than £50m of new capital by placing shares with investment institutions.

Neither of the founder-managers are selling shares and will retain a majority stake in the company.

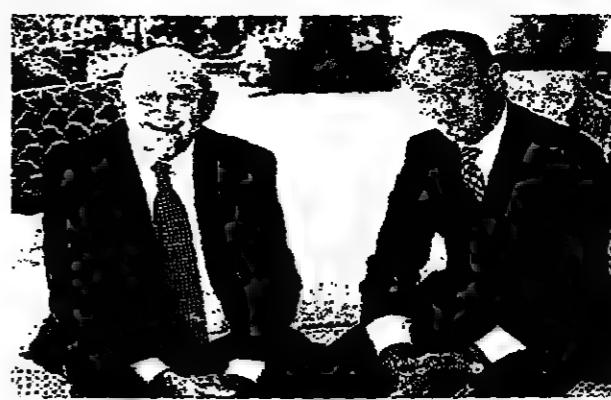
Minerva's £400m investment portfolio is based on London offices. Its largest single asset is a 150,000 sq ft office building at 250 Euston Road occupied by the Prudential, the life insurer.

Other large properties are in Croydon, Sutton and in the West End of London.

Its latest move is the £37m acquisition of the former London headquarters of Banque Paribas, the French bank, on Wigmore Street, to the north of Oxford Street.

Mr Rosenfeld believes this acquisition could open the way for a substantial West End office development on the site. Minerva already owns an adjacent building.

Mr Garrard, 57, made his name in the 1970s and 1980s



Founders: David Garrard (left) and Andrew Rosenfeld of Minerva

as an estate agent and property investor.

In 1988 he was part of a private consortium led by the Berger family which acquired Land Investors, the quoted company chaired by Mr Jack Rose, a legendary investor and developer in the 1950s and 1960s.

Mr Garrard sold out of Land Investors in 1988, making a tidy profit on his investment and avoiding the property slump to come.

Later that year he founded Minerva with Mr Rosenfeld, who had been hired to help manage the Land Investors portfolio. Still only 34, Mr Rosenfeld is regarded as one of the up-and-coming generation of property investors.

Minerva's strategy is based on buying large buildings let to good quality tenants on long leases.

Mr Rosenfeld rejects any suggestion that the company's investment portfolio is "institutional" and lacking in possibilities for future growth.

In addition to the potential development in Wigmore Street, Minerva is working on a plan to redevelop a 240,000 sq ft office and retail complex in Croydon.

Mr Rosenfeld also believes that Minerva has proved its ability to restructure the ownership and leases of its buildings to create additional value.

Excluding the Wigmore

Street acquisition, the company has spent £235m building an investment portfolio which is now valued at £365m, he says.

This equates to a 52 per cent valuation uplift, far outstripping the performance of the wider property market.

It remains an open question whether the stock market will accord Minerva the premium share rating reserved for high-flyers.

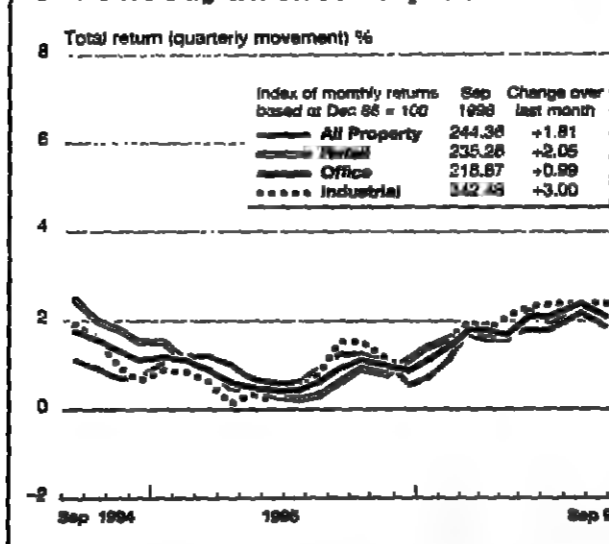
Despite its impressive record, the company is not exposed to retail warehousing and large shopping centres which are favoured by most fund managers.

The company has made plentiful use of bank debt in the seven years since its creation. Even after raising new money through the placing, Minerva will have gearing of more than 130 per cent, among the highest in the property sector.

Institutional investors are also being asked to buy into a minority position which goes against the grain for some funds.

These considerations point to placing price at a modest discount to net assets per share. This would leave potential upside for investors if Minerva proves itself a big-bitter in the quoted property sector rather than another also-ran.

IPD monthly index for September



Offices weak

The poor performance of office properties restricted the total return from the IPD monthly index to 0.7 per cent during September. Capital growth across the index as a whole was 0.1 per cent, but this reflected a 0.3 per cent decline in office values, offset by 0.3 per cent growth in the retail sector. Office rental values declined for the first time since January, falling by 0.1 per cent. Overall, rental values improved by 0.1 per cent.

In the three months to September, the total return on the monthly index was 2.1 per cent, unchanged on

the June quarter. Total return in the first nine months of 1996 was 6.1 per cent. This equates to a return of about 5.7 per cent on IPD's annual index, which includes a lower weighting in retail property and poorer income returns than the monthly index.

At a sector level, retail and industrial property values declined for the first time since January, falling by 0.1 per cent. Overall, industrial property has delivered a total return of 7.7 per cent, compared with 7.2 per cent from retail property and 6.2 per cent from offices.

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MANAGEMENT



John Kay

Happy combination

If identified and used properly, core competencies can drive a uniquely successful strategy for a company

Core competencies is one of the most used and abused phrases in business strategy. Nowadays it has simply become a pretentious phrase for activities - things a business does do, or would like to do.

The disease has even struck my own company. Last week I picked up a sheet that proudly proclaimed that the competencies of London Economics include economic knowledge, business experience, analytical skills, problem-solving, industry knowledge, innovation, project management and customer focus.

That list is a terrible muddle. It conflates the organisation's resources - its economic knowledge and business experience, with things the organisation does - problem-solving and project management, and with characteristics we need, but probably don't have - innovation and customer focus.

But it is not very different from the list generated by most companies. One business I know claimed to have no less than 48 core competencies.

The phrase "core competencies" seems to be due to a Harvard Business Review article by C.K. Prahalad and Gary Hamel. It is a popularisation of what has become known over the past decade as the resource-based theory of strategy. "Resource-based theory", in turn, seems to originate in a 1984 article in the Strategic Management Journal by Bo Wernerfelt, and in turn the ideas it describes were first expounded 20 years earlier in a jewel of a volume, *The Theory of the Growth of the Firm*, by Edith Penrose.

I mention this history partly to emphasise that the best ideas in management are rarely the newest and also to stress that what really matters is not the words we use but the thinking that lies behind them.

We can debate for ever whether something is or is not a core competence but unless we know why the answer matters the debate is a waste of everyone's time. We need to start by distinguishing what the business is - the resources it has such as economic knowledge and business experience - from the things it does - like problem solving and project management.

The reason is that the main strategic question for any business is how well what it does matches what it does, and if you muddle the two you can't even begin to answer that question effectively. The resource-based theory of strategy emphasises that each company is characterised by its own collection of resources. But in looking at these resources, the vital step in understanding the nature of the business is to draw a line between those resources which are quite idiosyncratic to that business, and those which can be readily bought in the marketplace. The Coca-Cola brand is unique to the company, but fizzy drink technology is available to anyone.

I have called this the difference between distinctive capabilities and skills, but the terms are not important: what is important is the difference.

A company needs to identify the markets where its distinctive capability is relevant, and then put together the skills to capture those markets

ferent ideas they express. The reason this dichotomy matters so much is that any but the most transitory of competitive advantages has to be based on distinctive capabilities.

A competitive advantage based only on skills - those resources of the business which others can go out and buy - will quickly be eliminated. If it yields profits, others will go out and buy the same resources. So Coca-Cola's competitive advantage is based on its Coke brand, not its technology.

You can buy the skills incorporated in Marks and Spencer (others have, by poaching their employees), but you cannot attack the company's competitive advantage because you cannot buy its distinctive capabilities: its structure of relationships and its reputation with customers.

And correspondingly, when Marks and Spencer wants to apply a distinctive capability - its reputation with customers - in a new market, it can go out and buy the services skills it needs.

There is no shortage of people who know how to design a personal equity plan or process a life insurance policy. So what is needed in defining a company's strategy is to identify the markets and activities in which its distinctive capability is relevant, and then put together the skills needed to capture these markets and perform these activities.

No company will ever have 43 distinctive capabilities. It is rare for any company to have more than one or two. Sometimes it may have none at all. In that case, it is not going to have any competitive advantages and it will do well to make an average return on capital. That hard but obvious truth is often difficult to accept.

London Economics' dis-

tinctive capability is its technical skills in economics, and an established position, especially in the recruitment market, which makes it quite difficult for others to replicate that stance. That means we should only try to sell work which could only be done by someone with exceptional abilities in economics.

Other reasons offered for pursuing new lines of business - that market is growing, this market is very profitable, we could do it - should all be rejected. Even if we could do these things, if they don't match our distinctive capability we won't make money in them for long. And because it is hard to reproduce our distinctive capability, I don't mind telling readers of the Financial Times what it is.

When Oxford establishes its business school, the distinctive capability it enjoys is the Oxford brand, which immediately implies an intellectual, relatively academic, positioning; because that is what the brand conveys and that is the market in which it carries weight.

The job of its director is to put together the resources which complement the distinctive capability in achieving that market position.

For other business schools with different distinctive capabilities - or none - the strategy should be different. That is why there will never be any successful generic strategies for companies. The real competencies of companies are their distinctive capabilities and these are few in number and individual in nature. Any effective strategy is specific to the business that deploys it.

John Kay is chairman of London Economics and director of the School of Management Studies at Oxford University



An eye on value: Daimler-Benz chief Jürgen Schrempp addresses shareholders

Wolfgang Münchau on the dominance of shareholders

To what extent should the interests of shareholders take precedence over the interests of a company's workforce? Some companies in Germany are now beginning to doubt that a policy of maximising financial returns is reconcilable with consensus-based industrial relations.

Volkswagen, the car-maker, has emerged as one of the most outspoken sceptics of "shareholder value", saying openly that "workholder value" should carry equal weight.

As part of an experiment consistent with this philosophy, employees are to receive part of their wages in "time" shares. These are not denominated in money, but in working hours. The monetary equivalent of the time shares, plus interest, is to be reinvested in the company, so that employees become quasi-shareholders.

The scheme enables workers to save enough hours to finance early retirement, buy an extra holiday or even protect themselves against redundancy in middle age.

Peter Hartz, VW's personnel director, says the scheme "combines the notion of workholder value and company value. There has been a one-sided attention to shareholder value in the past. We want both."

Labour relations have

Workholders with equal weight

high priority at VW. The company is one of the few companies in Germany ready in principle to guarantee jobs in exchange for greater flexibility on working hours. At the same time, the company is believed to be overstaffed to the tune of some 30,000 workers.

Klaus Liesen, chairman of VW's supervisory board, defends the employee-friendly attitude of the company and defines shareholder value as meaning "long-term" value. This differs from the Anglo-Saxon notion of shareholder value, which does not take time into account. By implication, the German definition is geared not towards shareholders in general, but towards long-term shareholders. These include the banks and, through schemes such as VW's, the workers themselves.

Volkswagen is unlike many other companies because it has one dominant investor, the state of Lower

Saxony, which owns a de facto controlling stake of 26 per cent. Gerhard Schröder, prime minister of Lower Saxony and a member of VW's supervisory board, is also the economic spokesman of the Social Democratic party, and a potential candidate to challenge Helmut Kohl for chancellor at the next general election.

As one of Germany's most political companies, Volkswagen may be an extreme case of "shareholder-value fatigue". But it is not alone.

Jürgen Schrempp, chairman of Daimler-Benz, Germany's largest industrial group, may be an energetic advocate of shareholder value but he is also keen to limit its scope.

"Shareholder value must not be pushed for short-term success at the expense of future viability and future earnings potential. Our future lies not only in chips, machinery, buildings and concepts but also in the heads and hearts of

our employees," he says. Critics could argue that the German redefinition of shareholder value might allow companies to hide unprofitable strategies under the cloak of long-termism.

Doubt about shareholder value is particularly evident when it comes to linking executive remuneration to shareholder returns. There is broad consensus that German society is not ready for the kind of multi-million D-Mark salaries that are common in, for example, the US. Executive share options are relatively modest. At Daimler-Benz, one board member calculated that options could earn him some DM60,000 (\$39,470) per annum "if I am lucky".

The extent to which an executive is "pro-worker" or "pro-shareholder" in Germany is also largely determined by labour law, which sets out the relationship between companies and their workers in great regulatory detail.

Overall, there is a great deal of scepticism in German boardrooms about pure shareholder value. The chief executive of another large industrial group in Germany said privately that he could not survive in his job if he pursued a relentless shareholder-value campaign.

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AXA

ARTS

Encore for sopranos from Sofia

David Murray reviews rare operas by Meyerbeer and Donizetti at the Wexford festival

Meyerbeer's *L'Étoile du Nord* (1854) was worth reviving at Wexford, both for historical reasons – it is one of those once-famous, now utterly neglected operas by a composer of some note – and because it offers a rich range of roles for showing off Wexford's latest singing discoveries. The trouble is not so much that the "plot" is a load of old cabbages, though it is; rather, that Meyerbeer's score is irredeemably second-rate from start to finish, without one really imaginative number to enliven its interminable length. There are tunes aplenty, most of which we seem to have half-heard before, and the vocal writing is grateful. The orchestration is expert and varied – probably less insistently loud than Vladimir Jurowski made it sound from the pit (the band is just the ordinary early-19th-century size, plus trombones), though he gave it a welcome thrust. Not a vital spark in any of it: it is the kind of score that gives "professionalism" a bad name. Meyerbeer patched it together from his earlier *Émile Feldlager in Schlesien*, a silly fiction about the flute-playing Frederick the Great. For *L'Étoile* he kept the flute but passed it a half-century back to Peter the Great, an unlikely flautist, and swapped Silesia for Finland. There Peter, disguised as a carpenter, meets Catherine, a *rivandière* (what would 18th-century opera have done without *rivandières*?) and they fall in love. After many arbitrary vicissitudes and the statutory mad scene – it is a measure of Meyerbeer's originality that he accompanies his soprano there not with a flute, but with two flutes: it sounds like his teacher Clementi on an off-day – they are reunited, and Peter makes her his Empress. Charming Elizabeth Futral sang her brightly, with winning assurance and panache; Vladimir Ognev's Peter suggested a basso cantante on old records, with throated intensity and a very fast vibrato. Obeying the determinedly lusty style of Denis Krief's production, everyone else mugged and pranced a lot. As Catherine's brother George, Juan Diego Flores displayed a well-formed, elegant tenor, and his fiancée Darina Takova a warmly expansive soprano. Christopher Maltman's pop-eyed corporal Gritzenko and Aled Hall's near-pantomime *parisier* Danilowicz managed to make their cultivated voices (respectively a stirring baritone and a secure high tenor) tell through the clowning. Donizetti's "lyrical tragedy" *Parisina* (1833), after Byron, was a brave gamble for Wexford. With it the composer took a new step into exuberant drama, without any great new sophistication in his musical construction or his harmonies; the expressive art lies in the vocal lines, which require principals with considerable artistry and – ideally – just the right voices. Roberto Servile had most of the weight, if not yet the black depth of tone, for *Azzo*, the brutal Duke of Ferrara, suspicious that his second wife Parisina loves another. As Ugo, that other Amadeo Moretti was stylish and forceful (he proves to be the Duke's own son, but Azzo murders him anyway). And as poor Parisina, Alexandra Pendatchanska sounded like a great artist in the making: an astounding range of vocal colour brilliantly used, unerring technique and subtlety, dramatic power beyond her frail presence. Sterling support from Daniela Barcellona's rich, consoling soprano and Richard Robson's noble bass (he lent fine gravity to the High Priest in *Sarka*, too). Maurizio Benini was the knowledgeable, perceptive conductor. Stefano Vizioli's production, in Ulderico Manani's stark designs, was a model of simple, old-fashioned incidentality. Pendatchanska, Takova and Vassileva (in *Sarka*) are all from Bulgaria: can Sofia be the new powerhouse for sopranos now? *Parisina* in repertory at Wexford until November 1, *L'Étoile* until the 2nd.



A great artist at the peak of his powers: Irek Mukhamedov, with Miyako Yoshida

Ballet/Clement Crisp

Romeo speaks from the heart

Two Russian artists brought *Romeo and Juliet* to life on Wednesday night when MacMillan's staging returned to the Opera House: Irek Mukhamedov as Romeo and Viktor Fedotov as the conductor.

The rest of the Royal Ballet unfurled industriously round Mukhamedov, registering group emotion, though certain performances had the dépayé air of being telephoned in from nearby call-boxes. Miyako Yoshida was Juliet, sweet, tender, sincere, too small-scale to make much impression beside the blaze of Mukhamedov's interpretation, and missing the fine fevers and tensions in Fedotov's view of the score (aided by very responsive orchestral playing).

Yet if the evening was off-balance, how grand the rewards from this *Romeo* and this conductor. Fedotov, whom we admire from his years with the Kirov Ballet, plunges to the Russian heart of Prokofiev's score, showing us its characteristic energy and sharp sonorities, driving its rhythms on a tight rein (the action quick-stepping but not hurried), refreshing its every bar for us. Not for years, perhaps not since Yuri Fayer led the first Bolshoi performance in 1956, have I heard the final scene sound so sonorously tragic, nor the orchestra's playing so admirably taut. Fedotov's way is Mukhamedov's way. Here is a great artist at the peak of his interpretative powers. From his early moment on stage, kneeling at Rosaline's

feet, arms ardently extended, we meet the passionate, headstrong young man who will be swept up in Juliet's impetuous love (which is MacMillan's theme). For Mukhamedov, every action is alive with feeling, and so it is for us. (How piercing the moment in the market-place when he has been blessed by the priest and prays – we know he prays – for this blessing on his own marriage).

Nothing is without reason, or emotional and emotional logic. The character is whole, real, drawn in lines of vivid movement that speak from the heart to the heart. This is Mukhamedov's way with every role, be it his supreme Albrecht or his joyous, loving Colas, or even his Basilio in dear, foolish *Don Quixote* (albeit the Royal Ballet's disastrous production defeated him). He is the greatest dancer-actor of our time, unrivalled in the world in my experience. Looking lesser than heretofore, with a boyish ardour for *Romeo* – and a boyish haircut – he gave an unflawed account of the character. It is a privilege to see him dance.

It was also a pleasure to see Justin Meissner leading the mandoline dance: bright, high-flying, and showing us a pirouette that went on and on and wonderfully on. But I wish I understood the two *tots* with torches and long frocks who lurk outside Palazzo Capuleti by night: they should have been in bed hours before.

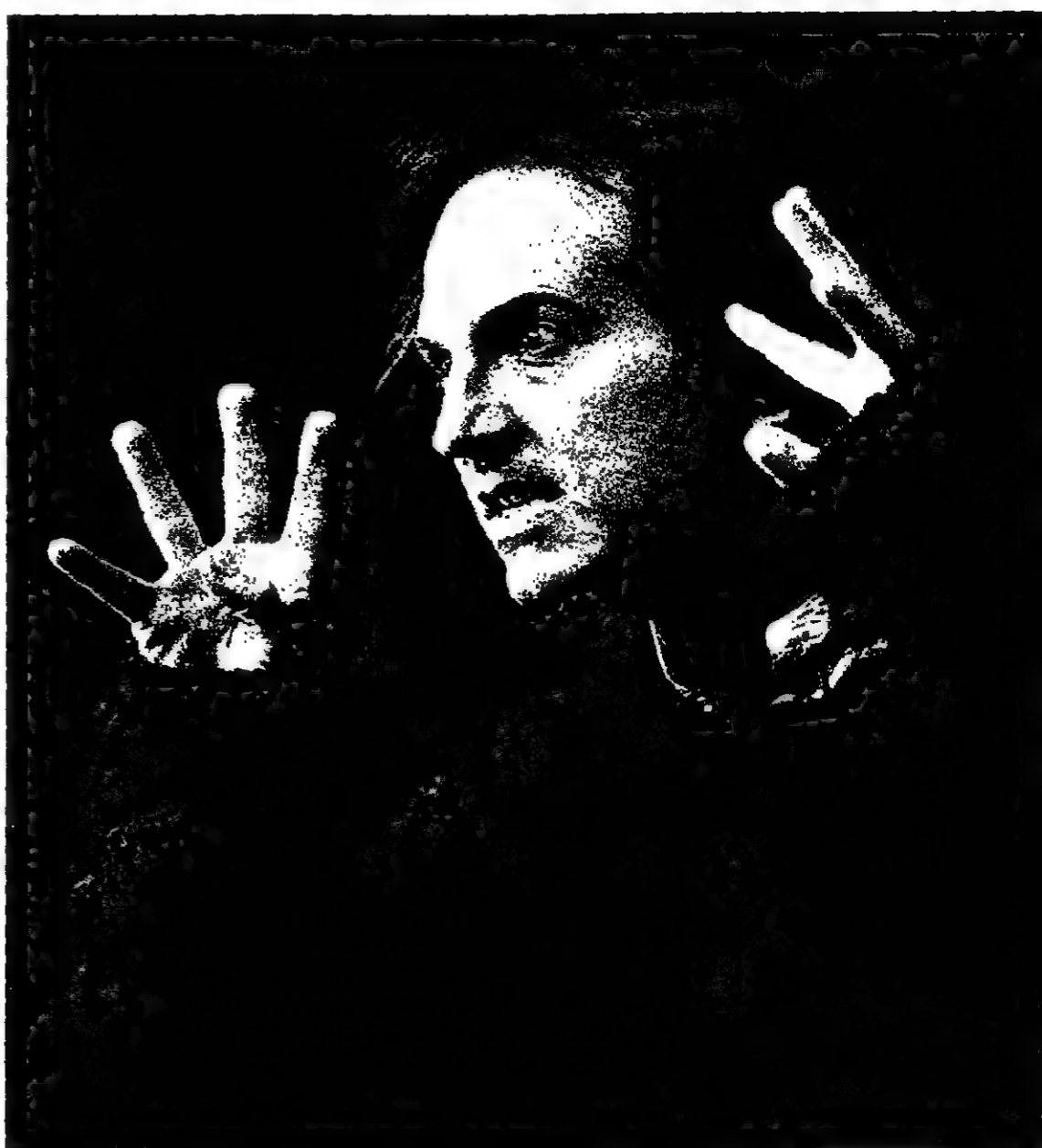
Hamlet is, among other things, a revenge tragedy; and Michael Maloney, London's latest Hamlet, is one of our theatre's natural revengers. He has burning dark eyes of great intensity, and, whether he is still or restless, his whole nervous system is febrile. He seems, too, both noble and intellectual, his voice is handsome and eloquent, and he has considerable Shakespearean experience. He has other accomplishments also – and this is, ironically, why his Hamlet disappoints. The accomplishments get in the way of the interpretation. They are especially apparent in vocal terms. Those people who say that modern actors do not know how to speak Shakespearean verse any more should be sent to hear Maloney. He delivers one entire soliloquy in an intimate *mezzo voce*; elsewhere, he jumps from fortissimo to pianissimo and back again; he strings together three sentences in a single breath; he employs both basso and tenor tones; he employs marvellous legato, sometimes turning it into true cantilena; and he is one of those rare actors whose diction is so beautiful that he seems to make the simplest vowels and syllables unique events. I notice, too, that his one technical flaw – shallow (and noisy) breathing – has been cured. If he was singing Werther I would cry "Bravo!" and "Not since Alfredo Kraus".

As with Kraus, everything Maloney does is expressive. His is not technique for technique's sake. I was never bored in watching or hearing him, and there were moments of great interest. In the last half of "To be or not to be", he so hangs his voice's softest tones in the air that I truly felt caught up into the inner workings of his mind. And the way he then, seeing Ophelia, murmurs "Nymph, in thy orisons Be all my sins remembered" – like an inward prayer – is matchless. But everything is too honed. I felt as if I were seeing not Maloney's first Hamlet but his hundredth.

This is a modern-dress Hamlet, and it is admirable how Julian McGowan's costumes almost never draw attention to themselves. The exceptions are the over-tattered sweater Hamlet wears when mad north-north west, a loud checked suit Gertrude wears on first appearance, and Ophelia's most improbable colour-scheme during the play scene. McGowan's set is even better, for without actual scene-changes it skilfully comprises a variety of different spaces – the ramparts, the court interior, the graveyard – each of which Chris Clay's lighting adeptly reveals.

The director is Philip Franks. He draws from his cast some nice minor insights on the one hand (notably from Gertrude, Polonius, Rosencrantz, and Guildenstern) and some over-dramatic acting on the other (notably from Laertes, and – as usual – in Ophelia's mad scenes). The text is cut to play at three hours and ten minutes. The boring Claudius of George Irving simply will not do; but, in the light of recent disclosures, it is incidentally amusing that he and Gertrude (Dinah Stabb) somewhat resemble Harold Pinter and Joan Bakewell.

At Greenwich Theatre to November 30.



Intense, expressive and eloquent: Michael Maloney in the title role

Alastair Muir

The South Bank is running a considerable parade of "American independents". That opaque label is meant for those American composers who have preferred not to pursue the lines of European art-music, old or new, but something quite distinct: whether it be the manners of American jazz and pop, or of the Pacific borders (oriental as well as occidental), or "systems" music or minimalism, or radically non-systematic music like John Cage's, or – as often as not – some heady *mélange* of those.

They are not independent of each other, not by a long way. Inspiration came variously from old Charles Ives, from Henry Cowell and Colin MacPhee, then from Cage and Steve Reich; many

schools and groupings stem from those disparate originals.

Among the "post-minimalists", the non-purist descendants of Reich & co., the most publicly successful of all is nowadays the eclectic John Adams (he of *Nixon in China*). On Saturday, the London Sinfonietta had him as guest conductor.

He proved to be a precise and sympathetic conductor, not only of his own music but of other people's. We heard the premiere of his *Early Buttons*, a clarinet concerto which exercised Michael Collins' powers in wild elaborations on a 19th-century hymn, a cheerful

Americans call the tune

"Hoedown (Mad Cow)" and a tender pop ballad. The workings-out came closer to pure minimalism than we have heard from him in some time: so too in *Road Works*, a recent violin-and-piano duo which Clio Gould and John Constable dispatched in cool style.

Otherwise, Adams took the Sinfonietta brightly through Lou Harrison's Pacific-pentatonic *Complete* (being the Indonesian label for a five-note mode) and two funky Frank Zappa sketches. Also Michael Gordon's *Yo Shakespeare* (cross-rhythms, slightly anodyne), and Javier Alvarez's *Quemar las Naves* – which showed less definiteness of intention than one expects from Alvarez, though he conjured some lovely, aqueous sounds from odd instrumental combinations. Finally we had an instrumental suite from Adams' recent *I was Looking at the Ceiling and Then I Saw the Sky*, an L.A. "earthquake romance" for seven singing actors and a lusty little band – something like updated Bernstein, and sensationally effective.

The Sinfonietta audience loved it, as did previous audiences in Edinburgh and Helsinki; somebody

must stage the complete show in London.

An "American independent" in another sense is the opera-singer Kurt Streit, who gave his first solo recital here – Schubert, Brahms, Roussel and Vaughan Williams – at the Wigmore on Friday. With his tall, rangy frame, it seemed natural that he should confine his expressive histrionics, like Robert Mitchell, to just "pointing his suit". But it was astonishing – and a great pleasure – to hear the high, elegant, cut-glass tenor emerging from that frame: pure European style, in excellent German and French, and quite un-American English for VW's *Songs of Travel*.

D.M.

INTERNATIONAL ARTS GUIDE

ANTWERP

CONCERT
Koningin Elisabethzaal Tel: 32-3-2024578
● Czech State Philharmonic Orchestra of Brno: with conductor Leos Svarovsky and cellist Michael Kanka perform works by Václav Janáček and Dvořák; 8.30pm; Oct 28

BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2514383
● Berliner Philharmonisches Orchester, with conductor Kurt Masur and pianist Helen Huang perform works by Britten, Beethoven and Mendelssohn; 8pm; Oct 27, 28, 29

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Die Schöpfung; by Haydn.

Performed by the Barockorchester des Kölner Bach Vereins and the Chor des Kölner Bach Vereins, conducted by Winfried Toll; 11am; Oct 27

OPERA
Opernhaus Tel: 49-221-2218240
● La Nozze di Figaro; by Mozart. Conducted by Alicia Mourik, performed by the Oper Köln. Soloists include Joanna Kozłowska, Irina Martínez and Andrzej Dobber; 4pm; Oct 27

COPENHAGEN

DANCE
Det Kongelige Teater Tel: 45-33 59 59 59
● Swan Lake: a choreography by Peter Martins to music by Tchaikovsky, performed by the Danish National Ballet; 7.30pm; Oct 27

DUSSELDORF

EXHIBITION
Kunstmuseum im Ehrenhof Tel: 49-211-8992460
● Bertram Jesdinsky: exhibition featuring works by the painter, sculptor and film-maker, who died in 1992. The display includes large-scale paintings, sculptures, drawings, collages, installations, films and video works; to Oct 27

INDIANAPOLIS

EXHIBITION
Indianapolis Museum of Art Tel: 1-317-923-1331
● Claudia Matzko: conceptual artist Claudia Matzko creates an installation for the IMA. Through

the manipulation of her materials, Matzko reflects on the way people communicate and perceive themselves in the world; from Oct 26 to Dec 22

LAUSANNE

DANCE
Théâtre de Beaulieu Tel: 41-21-6432211
● Carmen: a choreography by Antonio Gades and Carlos Saura to music by Bizet, Penella and Lorca, performed by the Antonio Gades Company. Soloists include Stella Arauzo, Antonio Gades, Candy Roman and Juan Alba; 8pm; Oct 26, 27 (8pm)

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Mozart Orchestra: with conductor Ian Watson, soprano Eirian Davies, tenor Adrian Thompson and trumpeter Crispian Steele-Perkins perform Handel's *The Arrival of the Queen of Sheba*, *The Water Music* and *Music for Royal Fireworks*; 8pm; Oct 28
● Royal Festival Hall Tel: 44-171-9604242
● Moses und Aron: by Schoenberg. Concert performance, conducted by Christoph von Dohnányi and performed by the Philharmonia Orchestra and the London Voices. Soloists include Philip Langridge, Aage Haugland and Cecilie Elor; 7.30pm; Oct 27
● Wigmore Hall Tel: 44-171-9352141

Yuko Inoue, Duncan McTier and Kathryn Sturrock: the viola-player, double bass-player and pianist perform works by Bottesini, Beethoven and Hawkins; 7.30pm; Oct 28

MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● London Symphony Orchestra: with conductor Riccardo Chailly and soloists Katarina Dayatman and Gudjon Oskarsson perform works by Schoenberg and Wagner; 10.30pm; Oct 26

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● The Chamber Music Society of Lincoln Center: with artistic director David Shifrin and the Emerson String Quartet perform works by Haydn, Brahms and Edgar Meyer; 5pm; Oct 27, 29 (7.30pm)
Carnegie Hall Tel: 1-212-247-7800
● Orchestre Symphonique de Montreal: with conductor Charles Dutoit and cellist Han-Na Chang perform works by Dvořák, Haydn and Respighi; 2pm; Oct 27

OPERA

Metropolitan Opera House Tel: 1-212-362-6000
● Rigoletto: by Verdi. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Swenson, Livergood, Lopardo and Pons; 8pm;

Oct 28

PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Paul Facchetti: exhibition devoted to the work of Paul Facchetti (b. 1912) who was active as a photographer in Paris in the 1940s and 1950s; to Jan 6

THEATRE

Festival d'Automne Tel: 33-1 42 95 96 94
● La Mélopie de la mort: by Marguerite Duras. Directed by Robert Wilson. The cast includes Lucinda Childs and Michel Piccoli. Performance at MC 93 Bobigny, as part of the Festival d'Automne; 8.30pm; Oct 25, 26, 27 (3.30pm)

SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-8000
● San Francisco Symphony: with conductor Michael Tilson Thomas perform excerpts from Prokofiev's *Romeo and Juliet*; 7pm; Oct 27

STRASBOURG

EXHIBITION
Musée des Beaux-Arts & Arts Décoratifs - Palais Rohan Tel: 33-88-52 50 00
● De Giotto to Canaletto: exhibition of Italian paintings from the museum's collection. Alongside these paintings, works are shown by French, Spanish,

German and Dutch artists who travelled or settled in Italy. Artists represented in the exhibition include Raphael, Veronese, Cima da Conegliano, Salvator Rosa, Canaletto, G. Domenico Tiepolo and Giotto; to Oct 27

SYDNEY

AUCTION
Sotheby's Tel: 61-2-3323500
● Fine Tribal Art and Aboriginal Bark Paintings: each year Sotheby's Australia holds one auction devoted to the sale of works of tribal art from the Pacific Rim, Africa, Melanesia and Australia. The core of this year's auction is the sale of selected works which have been consigned from the Glenbow Museum in Canada, and more than 600 oceanic works of art from the Christensen Fund which were acquired more than 30 years by the late Alan Christensen; 2pm; Oct 27, 28 (6pm)

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Wiener Symphoniker: with conductor Rafael Frühbeck de Burgos and pianist Rudolf Buchbinder perform works by Mozart and Beethoven; 8.30pm; Oct 27
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Philip Stephens

A way with words

Redefining criteria for 'first wave' entrants to monetary union could buy Britain more time to make its decision

Timing is often everything in politics. But sometimes words count for more. Clever language might yet offer a partial escape route from Britain's agonising choice over whether to participate in a single European currency.

No one doubts that the decision will be one of momentous consequence. It will shape the economic future. It will also chart the nation's course in world affairs. Ultimately, politics will weigh more heavily than economics. For that reason, if economic and monetary union works, Britain's answer will be yes. Eventually.

This last caveat is important. A successful Emu would define the political core of Europe. Westminster's politicians would not be content to stand indefinitely on the periphery. Too many pretensions are at stake. How long otherwise would Britain retain a permanent seat on the United Nations Security Council, or its privileged place within the Group of Seven industrial nations?

But both the politics and the practicalities weigh against signing up for January 1 1999. The political obstacles are well known. A re-elected Conservative government could not take such a decision without tearing itself asunder. If Tony Blair replaces John Major in 10 Downing Street, he will have other, more pressing, priorities. Labour's shadow cabinet is divided. Mr Blair knows that rushing into a single currency would be a frightening gamble.

Then there are the practical obstacles. I wrote about these earlier in the summer. Since then, there has been much confusion and deliberate misinformation. So it is worth setting out in some detail the relevant legislative hurdles and the deadlines. All these assume, of course, that Britain meets

the economic convergence criteria and that its partners are prepared to waive that clause in the Maastricht treaty demanding a proven track record in the exchange rate mechanism.

Curiously, if the government did decide to scrap the Maastricht opt-out, there would be no requirement for a "bill to abolish sterling". Instead, European law, substituting the euro for national currencies, would have direct application in Britain.

Parliament's debate on the substance of the decision would flow from one of the provisions of the Maastricht Act. This requires a separate decision by parliament before the government notifies its intention to join a single currency. The expert view in Whitehall is that the legal provisions for a referendum would probably be tacked on to this legislation. Like Mr Major, Mr Blair is committed to a plebiscite unless Labour says at the general election it intends to join Emu.

Careful scrutiny of the treaty has persuaded the experts that, formally at least, the notification measure would have to receive parliamentary assent by January 1 1998. The protocol enshrining the British opt-out requires that it waive its exemption by that date if

The next government needs time to make a more considered choice... The right thing to do is to keep the options open

it wants to join the euro bloc a year later.

The other main legislative requirement is the grant of independence to the Bank of England (including the transfer to the Bank's ownership of a substantial proportion of, if not all, foreign exchange reserves). A separate provision in the treaty prohibiting the monetary financing of government debt demands reform also of the legal framework governing the Bank's money market operations. The experts are agreed that the latest deadline for these two changes is July 1 1998, the last possible date for establishment of the European central bank.

It is this timetable for legislation which would demand an almost instant decision from the winner of the general election which Mr Major intends to hold next spring. Of course, the dates are not set entirely in stone. If an incoming government showed itself in earnest, its European partners might well grant it some leeway.

One could imagine, for example, the notification deadline slipping from January to March 1998, the point at which EU leaders will decide how many other countries qualify. If the whole project were delayed by, say, six months, the British timetable could be simultaneously adjusted. And the Treasury is already drawing up plans to give the politicians as much time as possible. It is obvious, though, that if Emu proceeds according to plan, the British government will have to make up its mind before the end of 1997 and, almost certainly, many months before.

It was this tight schedule that persuaded me that the two main parties could no longer pretend that the single currency was an issue for the dim, distant future. By the time the election is fought, the voters will rightly demand of Messrs

Major and Blair, if not a definitive answer, an honest expression of intent.

For the Tory Eurosceptics (and for some cabinet ministers who might have been expected to know better), there is an obvious answer. Since there is no prospect of Mr Major deciding in favour next year, he should say now that a Conservative government would keep sterling at least through the lifetime of the next parliament. In practice, that would mean forever. As for the sceptics in Mr Blair's party, they would like him to say that Britain will not be in the first wave, even if it reserves its subsequent position.

It is here we come to the capacity of language to redefine the options. Mitterrand's "first wave" has been taken to refer to those countries which lock their exchange rates from January 1999. For reasons unconnected with Britain, that definition is already being shaded. Germany is alarmed at the resolve of Italy, Spain and Portugal to be in the vanguard. The political will in these "Club Med" countries is in inverse proportion to their potential to meet the economic convergence criteria.

There is a way out. The first wave might be redefined to include all those countries which join Emu between 1999 and 2002. Only at that latter date, after all, will euro notes and coins physically replace national currencies. The Club Med countries would spend another year or two adjusting their economies in return for a guaranteed place before 2002.

Britain should back this strategy with every ounce of its remaining influence in Europe. The next government needs more time to make a more considered choice. To that extent, I sympathise with the politicians. The right thing to do is to keep the options open.

LETTERS TO THE EDITOR

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Moves by Italy to meet Emu criteria no 'one-year wonder'

From Mr Paolo Galli

Sir, In its evenly balanced comments on Emu perspectives, your newspaper has recently focused on the obstacles that Italy - and other "Club Med" countries - face "in demonstrating that next year's budget cuts... are more than one-year wonders" ("A deficit of credibility", October 21).

I readily acknowledge that what the Italian government is trying to do is difficult and will entail a considerable effort from the Italian economy. Let me mention, however, some elements which point to the fact that keeping in line after 1998 is not impossible.

The data referring to inflation (from 6 per cent in July 1995 we aim to reach about 3 per cent at the end of 1996), to government

deficit (which should be about 3 per cent in 1997 and 2.9 per cent in 1998), show that the tendency towards meeting the Maastricht criteria is constant. Primary surplus (more than 4 per cent in 1996, and growing) shall guarantee that the deficit criterion is respected, as soon as interest rates are reduced. And, with monetary union, this reduction is automatic.

In 1997 we aim to quicken the pace of an ongoing process which will inevitably continue: we will try to obtain in the course of that year what originally we thought of doing in 1997-98 and fill the temporary gap in the deficit deriving from the delay of the year in aligning interest rates with Europe.

May I also point out that some other "non-Maastricht" parameters used in gauging a country's economic

performance are in the case of Italy significantly better than in many of our European partners. For example, it is often overlooked that the Italian overall debt, the importance of which I do not deny, is largely financed from internal resources. In a country which has the second-highest saving propensity among the G7 countries. Add to this the high level of the balance of payments and the recent improvements in the Lira/D-Mark exchange rate. In conclusion, the situation is no doubt difficult, and requires sacrifices, but is far from hopeless.

Paolo Galli, ambassador, Italian embassy, 4 Grosvenor Square, London W1H 9LA, UK

WTO must face issue of labour standards

From Mr Neil Kearney

Sir, Alasdair Smith of the Sussex European Institute (Letters, October 23) does not seem to be following the debate on linking trade and labour standards through the World Trade Organisation. If he was, he would see that the main pressure for action is now coming from workers in developing countries, particularly children and young women who have been the biggest victims of the exploitation riding on the back of unregulated globalisation.

Governments around the world are notoriously unresponsive to the abuse and maltreatment of these workers, especially in the garments and footwear sectors. Fortunately, consumers in the industrialised world are pushing the leading retail chains to clean up their act by outlawing rights abuses, including child labour, by their suppliers.

But, securing respect for internationally agreed labour standards should surely not be entrusted to unilateral action by individual retailers over which the international community has no influence or control.

Responsible governments everywhere should now be demanding that the WTO faces this issue head on and establishes a working party charged with examining the relationship between trade and core labour standards and providing the WTO with a steer for the future.

Neil Kearney, general secretary, International Textile, Garment & Leather Workers' Federation, rue Joseph Stevens 8, B-1000 Brussels, Belgium

Uncalled for

From Mr Roger Dean

Sir, The savings offered by telecommunications companies on international phone calls through the "Call up for savings" ("Call up for savings", October 22) are indeed considerable - but come at a hidden price. When I first started to use such a service, I was impressed by the quality and even more by the bills. Over time, the quality deteriorated and repeated complaints failed to secure an improvement.

Even worse were the persistent "ghost" calls in the middle of the night. I changed to a new service and the first night I was woken yet again. Until this problem can be ironed out, I shall continue to opt for dearer calls and quiet nights.

Roger Dean, 55 Hernalstree, 1970 Wezembeek-Oppeem, Belgium

Sad end to Dole's career

From Mr Daniel Goncharoff

Sir, Michael Prowse attempts to make "The case for Dole" (October 21), citing both Dole's personal struggles and his political talents. Unfortunately, Prowse fails to see what the American people instinctively feel - that Dole is a conciliator, not a leader. While a master behind closed doors, he is unable, and perhaps too principled, to reduce the complicated issues that confront the nation into simpler concepts with a clear direction.

Dole revealed his character during the fight over the "Contract with America", when he crushed the growing momentum of a more conservative Republican agenda with which he could not agree, rather than working to adopt some more palatable version he could call his own. His unwillingness either to lead

by redirecting the agenda, or to ride the tide while waiting for chances to moderate the more extreme points on the agenda, was perceived as negative and weak.

Indeed, it handed to President Clinton the opportunity to step into a void and make his own choice of aspects of the agenda that were appealing to the electorate, despite the antagonism of many elements within the Democratic party.

Now Dole endorses many policies he fought against in an attempt to turn voters' heads. A sad end to an otherwise illustrious career. If only Dole could now cede victory in exchange for his old job. That would be the best result for the country and for Dole.

Daniel Goncharoff, Aynstetstrasse 5, Frankfurt, Germany

Europa • Sergio Romano

Risky road to reform

D'Alema is gambling on a deal with his former enemy to change Italy's constitution



This is the latest Italian paradox. Two years ago, the most interesting and promising figure of Italian politics was Silvio Berlusconi, a fiercely anti-communist media tycoon who created a new political party, Forza Italia, scored a remarkable success at the 1994 national elections and became prime minister.

Two years later, the most interesting and promising figure of Italian politics is Massimo D'Alema, leader of the PDS (the Democratic Party of the Left) which Berlusconi had soundly defeated. D'Alema is a former communist, known for his Stalinist youth and strictly orthodox party line. But he has become an imaginative and courageous reformer. This is not all. The enmity and rivalry between D'Alema and Berlusconi have been replaced by a constitutional pact for changing the Italian political system. This remarkable double somersault demands some explanations.

D'Alema has won the elections as the *de facto* leader of a centre-left coalition. Without the organisational and logistical support of the PDS, the so-called Olive Tree coalition could have never defeated the centre-right alliance between Berlusconi's Forza Italia and Gianfranco Fini's Alleanza Nazionale.

But the leader of the winning party could not become the leader of the country because the members of the coalition had agreed before the elections that the prime minister, in the event of victory, would be a catholic economist, Romano Prodi, former president of Iri, the large industrial state holding. Since then, D'Alema has understandably been working to make sure that this will not happen again. His main objective is the transformation of the PDS into a larger, more flexible social democratic political force.

His model, among others, is Tony Blair, leader of the British Labour party. The former Stalinist seems to have understood much better than some of his party's comrades that Italian society has undergone radical changes and that a "party of the working class" cannot attract the "bourgeois" votes needed to win the elections. This transformation of the former communist party - the second since the fall of the Berlin wall - should take place at the party conference next spring.

D'Alema's project, however, will only work within a new political system. To become the leader of the centre-left and prime minister, he needs a constitutional framework that concentrates votes in two political forces and gives the leader of the winning one the undisputed right to govern.

To achieve what may be called the "anglicisation" of Italian politics, the country probably needs a new electoral law more clearly based on the first-past-the-post principle, the direct election of the prime minister and a much stronger executive. D'Alema thinks this can be achieved by a parliamentary commission on the constitution, formed by an equal number of deputies and senators. The law establishing the commission will shortly have its second reading.

It is almost certain that the commission will be oper-

ational by the end of the year. It is far from certain, however, that its passage will be smooth and uneventful. D'Alema's political projects are strongly opposed by most of the forces which make up the Olive Tree coalition. The leaders of the Rifondazione Comunista (a rib from the left side of the old communist party) know that their movement would disappear and that, in D'Alema's new political force, they would play the role of Tony Benn and other leftwingers in the British Labour party.

The leaders of the Partito Popolare (a rib from the left side of Christian Democracy) know that they would be reduced to a role not unlike that of the leaders of the peasants' parties in the popular fronts of the Soviet era. Romano Prodi himself has no stake in D'Alema's project. If the leader of the PDS succeeds, Prodi will have to abandon, sooner or later, the job of prime minister and probably renounce his political ambitions.

Faced with many enemies, most of them in his own camp, D'Alema has turned to Berlusconi for an alliance, and has found an apparently sympathetic ear. The leader of Forza Italia has two good reasons to accept his enemy's offers. First, he is equally interested in reforming the political system and creating a bipolar democracy

in which he will presumably lead the centre-right coalition. Second, he probably hopes to negotiate a better deal for his television empire at a time when parliament will have to approve an anti-trust law on telecommunications. Without admitting the existence of a specific agreement, the leaders of the two main political parties are giving each other friendly messages.

Another condition, however, is required. To reform the constitution with the help of Berlusconi, D'Alema must persuade his friends that the country can live with two distinct majorities - one for the daily requirements of the government, the other for constitutional reforms. In other words, the leaders of the Rifondazione Comunista and the Partito Popolare must accept the principle that D'Alema can be their friend in the government and their adversary in the constitutional commission.

Will they accept? The leaders of the Rifondazione Comunista have already indicated that they will not, and that they may withdraw their support for the government. D'Alema seems to think that they will hesitate before causing the collapse of the first Italian government since 1947 in which their former comrades from the communist party hold positions of power.

But his assumption may turn out to be wrong. No party likes to agree to a deal that will eventually preclude its future. D'Alema, consequently, may soon be faced with a choice of either accepting the fall of the Prodi government as the consequence of his constitutional deal with Berlusconi or agreeing only the less important reforms to which the other parties of the Olive Tree are ready to subscribe.

One way or another, he will be at the crossroads of Italy's political future. He may emerge from the situation as a national leader, or lose his bet and join the catalogue of prominent people who tried and failed in Italy's endless constitutional crisis.

The author is a historian and columnist for *La Stampa*, the Turin daily newspaper.

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Prominent figures: D'Alema (left) and Berlusconi

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday October 25 1996

Bundesbank barks loudly

The remark by Mr Otnar Issing this Wednesday that interest rates were at a historic low and "more was neither to be expected nor necessary" was not a surprise. It was certainly less surprising than its opposite – a statement that monetary policy was too tight – would have been.

The question is whether the Bundesbank's bite will match its disinflationary bark. The plausible answer is yes.

This is so even though Mr Issing loves such strong language. At the time of dollar weakness in early 1995, for example, he insisted that D-mark revaluation had brought "only benefits, including falling inflation and protection against overheating."

Later, on June 27 1996, he argued that "monetary policy has done what it could do". On August 12 he declared that a cut in leading interest rates would not provide a solution to Germany's problems and added, sarcastically, that "if morale in Germany hinges on the Bundesbank cutting the repo rate by 10 or 20 basis points, things are pretty dire". Yet on August 28 the repurchase (or "repo") rate was cut by 0.5 percentage points.

Nevertheless, there are at least three good reasons for taking Mr Issing seriously.

The first is the clarity of his language and the support provided by Mr Johann Wilhelm Caidum, the vice-president. The second is the historically low

level of interest rates. The discount rate of 2.5 per cent does allow some easing of the repo rate below its current 3 per cent. But any lowering of the discount rate itself, now at a record low, would be an admission of crisis.

The third is the evidence of recovery: industrial output rose 6.4 per cent between its recent trough in February 1996 and August; and gross domestic product grew at an annualised rate of 2 per cent between the last quarter of 1995 and the second quarter of this year. Meanwhile, annualised monetary growth of 8.4 per cent between the last quarter of 1995 and September is above the target range; and the trade weighted nominal exchange rate has depreciated more than 5 per cent from its March 1996 peak.

If it were not for very low consumer price inflation, running at slightly below 1½ per cent in the year to September, the Bundesbank might even be thinking of tightening. Monetary observers already argue that overly expansionary policy is sowing the seeds of a rise in inflation.

The conclusion is evident: it will take very bad news on the real economy, a collapse in monetary growth or far lower inflation to persuade the Bundesbank to ease monetary policy further. Mr Issing is not just barking. His teeth are sharp.

Brcko blues

Once again, Europeans and Americans are at odds over Bosnia – this time over the US "train and equip" programme for the Muslim-Croat Bosnian army. The US insists this is essential to create a balance of power in the Balkans.

The British and French retort that balance should be achieved by levelling down, not up. The Muslim-Croat federation, they point out, remains a largely mythical construct. Muslims and Croats could end up using the weapons against each other.

Even if that does not happen, it is far from clear that the Muslims need weapons to deter a new attack on them by the Serbs, since the latter are by and large satisfied with the territorial provisions of the Dayton accord. By contrast the Muslims, if well armed, would have abundant motive for going on the offensive against the Serbs, who (in defiance of the accord) are refusing to let Muslims return to their former homes.

One likely place for such an offensive to start is Brcko, on the Sava river which forms Bosnia's northern frontier with Croatia. This town, one of the wealthiest in pre-war Bosnia, had a Muslim majority but is now in Serb hands, and the Serbs consider it a vital part of the corridor connecting the lands they hold in northern Bosnia with those in the east and with Serbia proper. Brcko was the rock on which

the Dayton negotiations very nearly foundered. They were saved only by referring to binding arbitration "the disputed portion of the Inter-Entity Boundary Line in the Brcko area indicated on the map attached at the Appendix".

Unfortunately no map was included. This has enabled the Serbs to claim that the area in question does not include the town of Brcko and the arbitrators should deal only with the width of the corridor. The Muslims assert the opposite, believing they have a right to their homes in the town and that a foothold on the Sava would give them access to "Europe".

Solomon himself could not arbitrate this dispute to the satisfaction of both parties by December 14, as the hapless Mr Roberts Owen, a US official, is supposed to do. The Serbs will not leave Brcko voluntarily, and the Muslims will try to fight their way into it if they cannot go back peacefully.

A possible temporary solution, suggested by the International Crisis Group last month, would be to place the town under international administration, with a mandate to ensure the peaceful return of displaced persons and free passage of all non-military goods both east-west and north-south. At all events the powers which failed to resolve the issue at Dayton should now revisit it urgently.

Utility rules

Appetising profits for shareholders and fingerlicking bonuses for senior executives have not proved a healthy diet for the UK's privatised utilities.

After an early burst of profitability, particularly in gas, water and electricity, the press howled and the regulators blew their whistles. Price caps were tightened, anti-competitive practices were scrutinised and vigorous efforts were made to break up unnecessary monopolies.

Now, as shareholders enter a leaner period, there are mutterings in a different tone: "Are the regulators too powerful, too arbitrary, too secretive?" Such questions are being studied by many bodies, including the Hansard Society, the parliamentary trade and industry select committee and the Labour party.

The latest contribution to the debate, from the Confederation of British Industry, yesterday urged caution. This is surely right after a period of rapid evolution during which regulators have been correcting mistakes made at the time of privatisation as well as refining their rules.

One difficulty is that methods of controlling profits by capping prices can seem complex and inconsistent. The CBI is right to resist the idea of imposing consistency via a utilities commission. This extra layer of bureaucracy would cramp the enterprise of individual regulators (which has had largely good results so far) and make regulatory reviews more cumbersome.

However, regulators might usefully consolidate the meetings which already take place into an informal college of regulators. Such a body could explain and justify the economic basis of regulation and promote a consistent approach to such vexed questions as the valuation of utilities' assets.

This might go some way towards the CBI's demand for more openness. A formal system of consultation with advisory panels consisting of private and industrial customers would also help, as would more regular reviews by a parliamentary select committee.

The most difficult questions, however, turn on the reform of UK competition policy and the relationship of regulatory bodies to the Monopolies and Mergers Commission. It is widely agreed that an MMC inquiry is too slow and expensive to be an appropriate way of settling all disputes in this sector. The CBI's idea of reforming the commission to allow it to act as a fast-track court of appeal is worth more study.

It appeals because too easy, decisions by the MMC might simply replace those of the regulators. Despite this danger, some such checks will be needed as regulators acquire (as they should) increased powers to police competition rules. Competition, rather than complex pricing regimes, is far the best way to turn an obese cat into the consumer's friend.

Mission for miracle-workers

Robert Chote asks whether the Irish can maintain growth and keep the lid on inflation as they prepare to join the single currency

Dublin is a city of cruel contrasts. The shops of Grafton Street and the trendy restaurants of Temple Bar overflow with people enjoying the fruits of Ireland's economic miracle. But in areas such as Darradale, to the north of the city, a drug culture thrives and many depend on welfare payments and the black economy.

This contrast between rich and poor has been brought into sharp focus by the economic renaissance Ireland has enjoyed since the late 1980s. After failing for decades to narrow the income gap between itself and richer competitors, over the past three years Ireland has seen its economy grow three times as strongly as the rest of the industrialised world. The surge shows no sign of flagging: healthy consumer spending and strong investment have enabled the economy to grow at an average of 7.5 per cent in 1994 and 1995, but inflation is running at less than 2 per cent.

In an attempt to maintain this combination, the government and trade unions are discussing a new national pay agreement to replace the Programme for Competitiveness and Work, which expires this year. Most observers believe a deal delivering pay restraint is essential to keep growth on track, although some fear that renewing the incomes policy will make wages too rigid as Ireland prepares to join a single European currency.

For most countries, high budget deficits are the biggest barrier to participation in a single currency. The Manistich treaty specifies applicants should borrow no more than 3 per cent of gross domestic product in 1997. While many are struggling to achieve this, Ireland has managed it for the past eight years.

"The score Ireland got in the 1990s produced a cross-party consensus in favour of low government borrowing," says Mr Terry Baker of Dublin's Economic and Social Research Institute, recalling the slow growth and lax budgetary policies of the late 1970s that left the Irish government borrowing 20 per cent of GDP in 1981 and its debt topping 120 per cent by 1986.

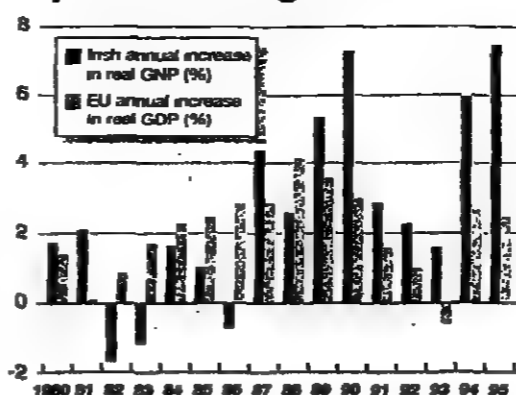
This proved a watershed. The governing coalition collapsed as Mr John Bruton of Fine Gael, finance minister at the time and now prime minister, proposed spending cuts that were unacceptable to his coalition partners. Fianna Fáil, which formed a minority government after campaigning against the coalition's "Thatcherite" policies, promptly introduced a budget even more draconian than Mr Bruton's.

This budget, helped by an amnesty on unpaid tax, which raised 17 times more revenue than the Department of Finance expected, cut government borrowing by two-thirds between 1987 and 1988. Economic activity and tax revenues benefited from an upsurge of consumer spending in the UK – Ireland's closest trading partner – as well as cuts in interest rates and improved competitiveness following a devaluation of the Irish punt.

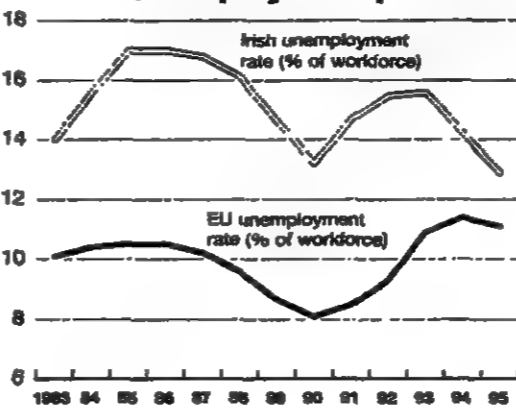
Arguably, this laid the foundations of the present strong economic performance. Continued low deficits have cut the debt-to-GDP ratio to barely 30 per cent, reducing interest rates and boost-

Ireland: can the magic last?

Rapid economic growth ...

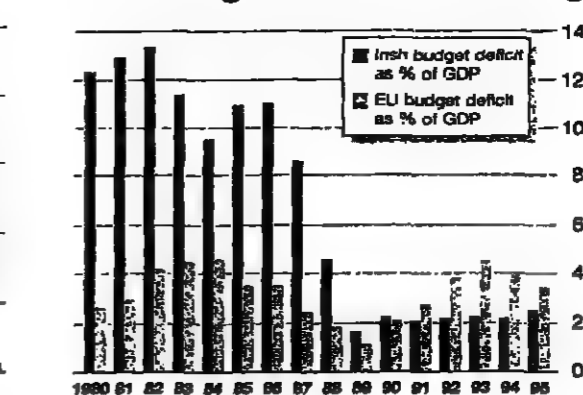


... but unemployment persists

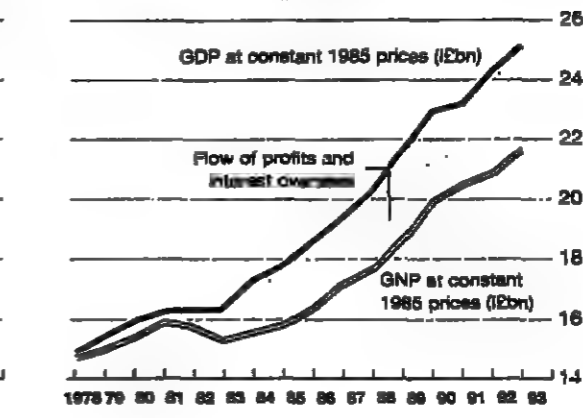


Source: Datastream

... restrains government borrowing



... as profits flow abroad



ing activity in a virtuous circle. But can it last? Professor John O'Hagan, of Trinity College, Dublin, has his doubts.

"Public spending is not rising as a proportion of gross domestic product but only because the economy is growing very strongly," he says. "What happens when growth slows from its current remarkable rates? I fear we are making spending commitments we cannot honour."

A cabinet committee met yesterday to discuss spending, which some ministers describe as "cancer-like". Excluding capital projects and after inflation, government spending has risen by 4.75 per cent a year during the 1990s.

The budget deficit has remained low because real tax revenues have grown by 4.5 per cent a year and the cost of servicing the government's debt has fallen from 7.7 per cent of GDP to about 5 per cent. The Department of Finance expects a deficit this year of 2.3 per cent of GDP, below its budget forecast.

The outlook for the public finances will depend in part on whether rapid economic growth can be maintained. One problem is that Ireland's success means it will get less money in coming years from the European Union. During the 1990s, the EU has contributed more than 5 per cent a year to Ireland's GDP.

At least there is no sign of the upswing hitting the inflationary buffers. Inflation averaged 2.5 per cent in 1994 and 1995 and should stay less than 2 per cent this year. The central bank is nervous about rising house prices and mortgage credit, but this reflects concerns about the lending policies of banks and building societies rather than a fear that buoyancy in housing will spill over

into other prices. Ireland's economy is so open to foreign trade that its inflation rate is largely determined by the exchange rate and inflation overseas.

Mr Mark Fitzgerald, managing director of estate agents Sherry Fitzgerald, calculates that house prices in Dublin have risen by 15 per cent this year and by rather less elsewhere. He dismisses fears of a property market bubble, arguing that prices are merely recovering from recent weakness and reflecting the health of the economy: "You can see it walking down Grafton Street. Educated young people are driving the economy and spending money."

The Organisation for Economic Co-operation and Development has warned that inflationary pressures might be mounting. It believes Irish output is probably above the "potential" level consistent with stable inflation – the only industrial country bar Norway in this position. But potential output is difficult to measure in Ireland because emigration and immigration help the labour force adjust to changing demand. And multinational companies locate there to exploit low corporation tax rates, rather than because Ireland is short of industrial capacity.

Ireland has long attracted foreign direct investment, notably in chemicals, pharmaceuticals, computer hardware and software. This has helped factory production to grow strongly over the past couple of years, while consumer spending has boosted the domestic service industries. International Business Machines, the computer maker, already

employs 1,000 people in Ireland and plans to establish a customer support centre in Dublin. Oracle Corporation, Hewlett-Packard and Gateway 3000 have all recently announced plans to set up or expand existing Irish operations. In 1994, overseas companies provided 44 per cent of Ireland's factory jobs.

"The presence of so many multinational corporations creates enormous statistical problems," says Professor Anton Murphy of Trinity College. Output and export earnings are both overstated because of "transfer pricing": multinationals charge artificially low prices for components bought from other branches of their companies, artificially boosting the recorded value of their Irish output and profits.

The presence of multinationals means GDP is also an inaccurate indicator of living standards, even though the EU uses it to assess Ireland's entitlement to financial help. Of every £8 of output supposedly produced in the Irish economy, £1 leaves the country in repatriated profits or interest payments to foreign holders of government debt.

Even if the multinational sector's output is overstated, its growth and productivity no doubt outshine indigenous industries such as steel, drink and tobacco. These are more reliant on domestic and UK markets, which suggests they may be vulnerable if Ireland signs up to a single currency and the UK does not.

The Economic and Social Research Institute warned recently that these sectors would suffer badly if sterling fell sharply against the single currency, but added that the gain from lower interest rates would

more than compensate. Mr Jim O'Leary, chief economist at Dan Stockbros, believes that Ireland should not join a single currency without the UK, although he expects that it will. In that event, he argues that Ireland's corporatist wage-setting approach – in which the government in effect buys wage restraint with tax cuts – should be abandoned. The economy will then be better placed to adjust wages if the interest rates set by the European central bank make that necessary.

Both supporters and opponents of the Programme for Competitiveness and Work agree that moderate and flexible wage-setting will be essential to protect Irish jobs and living standards, especially if the country enters monetary union without the UK. Unemployment is well down from its near 16 per cent peak in 1982-83, but it remains stubbornly above the European average with long-term joblessness a particular problem. In a single currency, excessive wage increases are likely to increase unemployment rather than inflation, which would worsen the problem of urban poverty and thereby widen the social divide in the country's cities.

For the present, Ireland's economy remains strong, demonstrating the rewards that an assault on government borrowing can deliver. But maintaining the miracle poses a number of challenges. It demands tougher control of government spending, continued moderation in wage-setting and greater efficiency in indigenous industries and services.

Joining a single currency will not make this easier – only more important.

OBSERVER

Reluctant to judge

■ South Africa has just appointed its first black chief justice and Court of Appeal head – but only after a dramatic intervention by President Nelson Mandela himself.

Judge Ismael Mahomed, 65, an Indian, who is the country's first black senior counsel, had seemed as if he was a favourite for the slot anyway. So why did Mandela outrage other Supreme Court judges by specifically calling for him to get the job – before the judicial services commission, which assesses the candidates and makes recommendations to the president, had approved his application?

The intervention of Mandela, himself a former lawyer, can hardly be put down to ignorance of legal protocol, after all. And in the unlikely event that he had failed to win the commission's support, the final choice lies with the president anyway.

Could it have been, then, that Mahomed was a shade reluctant to take up the post? After this week's swearing-in ceremony, he did let slip that the posting would "revive fresh wounds and painful memories". Presumably this refers to the fact that he will have to return to the Free State town of Bloemfontein, where he

first worked as a young advocate during the apartheid era. At that time, local laws barred Indians from remaining in the Free State after dark and the young lawyer was forced to commute daily from the Transvaal.

Quite aside from the private emotions, Mahomed is a very busy man already. But that is a tricky argument to put to a 70-year-old president whose working day begins at 5am.

Poles apart

■ An eye-catching, full-page colour advertisement on behalf of AEG appeared in the latest issue of Wprost, a Polish weekly. It depicts a vacuum cleaner in the Sahara desert. The accompanying text reads: "Not everyone is willing to take on some tasks. But orders are orders. AEG domestic appliances: German precision, German quality, German cleanliness, German reliability. Everyone who knows that quality flows from experience chooses AEG. AEG: There must be order."

Any raised eyebrows would be entirely out of place. The ad was written by young Poles at US agency BBDO's local office in Warsaw, and is aimed at the young rich set, who, they say, have an entirely positive image of Germany.

Oh and by the way, AEG is

these days owned by Electrolux of Sweden.

Happy birthdate

■ With John Major, the UK premier, teasing everyone on the choice of dates available for him to chance his arm with the electorate, the political guessing game is in full swing.

If he does go for May 1, then it will be only the fourth general election this century held in that month. Labour won at the very end of May 1929, the Tories were victorious in May 1965 and Margaret Thatcher arrived in May 1979.

The record shows that, in the 25 elections this century, most prime ministers have confronted their fate in October.

Since 1935, they've been required to take place on a Thursday.

This time, Major has got until May 23 if he feels the need to hang on to the very end. It might be worth remembering, though, that in 1992, he went on April 9 – wife Norma's birthday. His own anniversary occurs on March 29.

Without fire

■ André Malraux, the outspoken French politician, writer and

place for Republican heroes, next month on the 20th anniversary of his death.

So far, so good. But he is also getting a celebratory stamp. Problem is, the 1905 phase has been retouched – in these politically correct times – to remove the cigarette that had dangled from his lips. Judging from the new image, Malraux was well advised to keep puffing away on those Gitanes. He also looks distinctly chubbier and older than on the original photo.

In orbit

■ American voters may not be the most conscientious in the world, but US citizen John Blaha certainly wants to vote in the presidential election.

But he can't. He has a subsequent engagement, and will be on Mir, the Russian space station. Blaha, who has been training in Russia, omitted to ask for an absentee ballot. While NASA has offered to relay Blaha's choices electronically to the county clerk's office, Texas state law is stuck in the pre-electronic era, and there are no provisions for such cases.

Now George Bush, governor of Texas and son of the former president, has been asked whether he will make an exception. He should – after all Blaha can boast a detached view.

Financial Times

50 years ago

Helping Hand For France

The recent serious advance in French price levels makes it clear that the country's economy is passing through a critical phase. It is encouraging that no time is being lost in implementing the general agreement for expanding Anglo-French trade, concluded a little over a month ago. France has to solve two main problems: the reorganisation of her public finances, to check the present wages-prices spiral, and the establishment of equilibrium in overseas trade. It is to be hoped that, with the constitutional battle over, a strong French Government will immediately tackle the related questions of price control and the regulation of public expenditure.

Czechs To Pay Compensation

At a press conference yesterday the Czechoslovak Foreign Trade Minister, M. Ripka, stated for the first time the Czechoslovak point of view on liquidation compensation for foreign investments. "We feel," he said, obliged to pay all foreign investors in full, and a special committee will be formed to discuss details of the new Government's approved compensation scheme. My opinion is that the matter should be solved quickly."

Tokyo prepares to resume aid to China after 18-month break

By William Dawkins in Tokyo

The Japanese government may soon grant aid to China, after a break of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear testing.

An end to the block on aid - imposed in May 1995 - would be seen in Beijing as a sign of Japanese goodwill at a time when bilateral relations are extremely strained.

A foreign ministry proposal to resume aid, suspended as a protest against a Chinese nuclear test last year, is awaiting the approval of the incoming government. The leading political parties are still struggling to put together a new coalition after last Sunday's national election. Aid could be resumed before the end of the year, officials said.

The Japanese government towards the Beijing government soured further when China carried out a second nuclear test last July. In the run-up to that explosion, Japan even considered extending the aid ban to include official soft loans, which make up the bulk of its official funding for China.

Beijing's relations with Tokyo came under additional strain in the following two months because of a dispute over a group of islands in the East China sea.

Japanese officials stressed yesterday that any decision to renew aid to China would simply be a consequence of the end of testing. It would not be an attempt to calm the dispute over the islands.

They admitted, however, that a message of goodwill to

Beijing might be more than usually helpful to Japan's hopes of re-establishing relations with its second largest trade partner.

Japan disbursed ¥7bn (\$64.8m) in grants to China - mainly for medical, educational and humanitarian needs - in the year to March 1995. Subsidised credits, which Japan lends for infrastructure projects, reached ¥140bn in the year to last March.

Japanese officials called on their government to consider lifting the ban soon after China announced a moratorium on nuclear testing following the explosion in July. The UN test ban treaty was signed last month. There was little or no Japanese political opposition to resuming aid, but the three-party coalition that ruled before last Sunday's election

was nevertheless unable to reach a consensus.

A decision was delayed by the election campaign, in which foreign policy concerns played almost no part.

The dominant Liberal Democratic party fell slightly short of a majority and policy decisions have been put on hold while it puts together a coalition.

LDP officials do not expect to convene parliament to select the next prime minister until November 7. The next cabinet would be formed shortly after that.

Taiwan government officials yesterday forbade activists from making a flight to the disputed East China Sea islands, which are also claimed by Taipei. The activists had hoped to drop flags on the deserted islands today.

EU jobs market report blocked

By Emma Tucker in Brussels

European industry leaders are furious that release of a comprehensive report on EU competitiveness is being blocked because of an ideological rift inside the European Commission over the need for greater labour market flexibility.

Unice, the European employers' organisation, believes publication of the report, which traces the link between high unemployment and labour market rigidities, is a central test of Brussels' willingness to endorse labour market flexibility and deregulation.

Officials from the Commission's social affairs directorate want to exclude aspects of the report, in particular two graphs that demonstrate the correlation between high

Industry leaders angered as Brussels rift causes hold-up

unemployment and high redundancy costs and between high unemployment and complex labour market laws.

"Europe suffers from low rates of net job creation and low rates of employment," said Mr Francois Perigot, president of Unice. "It is high time to look more deeply into this phenomenon and see to what extent the functioning of the labour market itself can be considered a major cause."

Mr Perigot's demand comes against a background of renewed tensions in countries where governments are carrying out politically sensitive restructuring

of their economies.

In Germany yesterday tens of thousands of workers staged a second day of nationwide protest against employers' demands that labour costs be reduced. Belgian unions have called a general strike for Monday in protest over government welfare reforms.

Industry's demands for greater job flexibility are being countered by the desires of trades unions, public sector enterprises and social policy officials to preserve the traditions of European welfareism.

"The split is philosophical," said one Commission official. "DGS [the social affairs directorate] sees stability as a value and not a cost."

The Commission report was prepared by the industry directorate and looks in detail at the performance of the European economy and European industry. But objections from DG5, as well as reservations from officials in the environment directorate, mean the Commission has only issued a "communication" relating to the report.

Yesterday a senior industry figure said it was very important the Commission gave its support to fundamental changes. "This is very worrying for us because labour market rigidities and changes to the welfare system are the two most difficult reforms needed to boost employment in Europe," he said.

IMF set to halt Russian aid over tax and debt record

By John Thornhill and Chrystie Freeland in Moscow

The International Monetary Fund is likely to suspend the latest tranche of its \$10.2bn loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors.

A mission of IMF experts, which monitors the Russian government's compliance with its loan agreement every month, left Moscow yesterday after failing to reach agreement with local officials.

"In the course of discussion of some elements of the economic programme the parties did not reach a consensus on a number of issues. This does not permit the mission to prepare a report at the moment,"

said a statement from the Russian central bank.

Foreign investors were unsettled by the breakdown of talks and Russian equity prices slid by more than 5 per cent. Government debt prices also fell sharply, complicating the central bank's plans to issue a benchmark eurobond next month.

The IMF has repeatedly criticised the Russian government's record of tax collection and delayed handing over July's \$340m tranche because of concerns about a widening budget deficit. Payments were later resumed after the government lifted tax revenues the following month.

The IMF is believed to have objected to the government's failure to deliver on previous commitments and its delays in

granting foreigners greater access to the local government debt market, where yields remain above 50 per cent.

In recent weeks, the government has acknowledged the severity of its revenue shortfall and set up an extraordinary commission to target the worst corporate tax debtors. It has also threatened to put companies into bankruptcy unless they pay up.

Economists suggest the government's authority has been undermined by tax privileges granted to favoured companies before the presidential elections and by political uncertainties over President Boris Yeltsin's health.

The loan, the second biggest the IMF has ever granted, was designed to support Russia's shift to a market economy.

Overhaul at Philips

Continued from Page 1

jobs in the early 1990s, but began to rebuild in 1994.

Nearly 6,000 jobs are already set to be cut as part of a reorganisation initiated in July at its Sound & Vision unit, maker of consumer audio and video equipment. The latest £1bn provision comes in addition to a £1.8bn first-half charge taken to cover those job losses.

Philips declined yesterday to specify where the axe would now fall, or how many more positions would go as a result. Dutch trade unions fear another 1,500-2,500 jobs would be shed within the Netherlands alone.

Shares in the company weakened initially in Amsterdam yesterday but closed £1.70 higher at £1.68.90 as investors took heart at Mr Boonstra's pledge to unlock shareholder value.

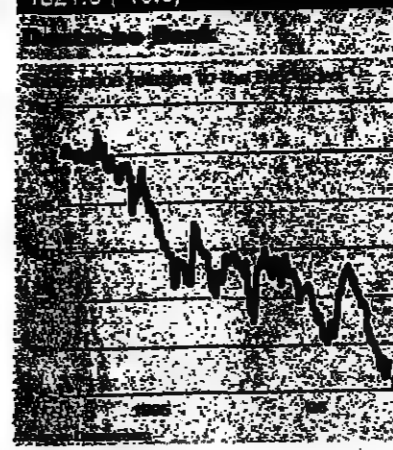
THE LEX COLUMN

Switching on Philips

Mr Cor Boonstra, Philips' new president, is out to make his mark. Three weeks into his job, he has already issued a profits warning and a £1bn (£870m) restructuring programme. But he has revealed plenty of need for change. At a time of dwindling profits, Philips increased staff numbers by 6,300 between January and September - more than the job cuts proposed in July's restructuring.

Mr Boonstra has set demanding targets. If he achieves double digit earnings growth and a 24 per cent return on net assets, Philips shares represent a bargain. Investors have been here before, with promises that loss-making divisions will be revitalised or axed. However, as an outsider Mr Boonstra looks far more likely to deliver, and his message that Philips will do more with less is a welcome one. Besides, given the shares' significant discount to break-up value, if he cannot deliver value under the existing structure, he will be under far more pressure to change it.

FTSE Eurotrack 200:
1321.6 (-10.6)



over the next five years. For a stock that had risen 56 per cent this year alone, that is no vote of confidence.

The debt issue looks like classic opportunism from Mr Murdoch. His money is tied up in News Corp, whose shares have not reflected BSkyB's boom because of concerns over its huge investment in global pay-TV. However, BSkyB has its own equivalent project, Df1 in Germany, and investors have ignored the significant short-term costs and risks of this. As debt repayment slows and UK taxation increases, BSkyB's earnings will start to look less dynamic, while the regulatory environment could deteriorate. News Corp shareholders should be grateful, but those of Granada may feel less so. Its 11 per cent stake in BSkyB has become a far less saleable commodity, and given the pitiful dividend income from a £1.2bn (\$1.9m) investment, Granada does not look like a long-term investor.

Deutsche Bank

While Germany's Dax index has this year been marching to record highs, Deutsche Bank has been travelling resolutely in the other direction. Yesterday's results will have done little to arrest the trend. Once more, Deutsche has disappointed, with the 9 per cent increase in net income well below expectations. Admittedly, the results were dented by the unexpected cost of mopping up behind Mr Peter Young, the rogue trader in its Morgan Grenfell asset management arm. But this should not obscure the bank's deeper-seated difficulties.

The good news is the evidence that the bank's huge spending on

investment banking is bearing fruit. Fee and commission income rose, but most impressive was a 47 per cent jump in trading profits to DM2.1bn (\$1.4bn). These now constitute two-thirds of total income. But this is a double-edged sword. Large trading profits usually require taking big risks, which can backfire. Moreover, they will fall when markets subside. Stripping out trading and provisions, the core businesses are performing badly. This can be laid at the door of poor cost control. The cost-income ratio of 71 per cent is a long way from the "mid-sixties" the bank is hoping for by the end of next year.

If Deutsche's strategy is not to fall into serious disrepute, it will have to start beating expectations, not disappointing. Short term, the huge Deutsche Telekom placing should help. Further out, profits in its corporate business will need to improve.

Standard Chartered

The City's ambiguous attitude to Standard Chartered is once again on display. At the mid-year, the share had outperformed the banking sector by 20 per cent, but that premium has evaporated. To an extent this was predictable, given the performance over the past two years. Bullish forecasts of 20 per cent operating profits growth a year for an extended period left the shares vulnerable.

However, there has been little cause for concern. The market has taken subdued foreign exchange profits and evidence of higher spending to secure growth as sufficient excuse to downgrade the shares. The foreign exchange problem of a one-off shift to lower margins is real enough. But currency trading comprises little more than 10 per cent of the bank's revenues.

Insufficient weight is being given to Standard's status as a growth stock, two-thirds of whose profits come from Asia. There are some signs of an economic slowdown in the region, but Standard has a strong personal banking franchise with excellent growth prospects across south-east Asia. The shares are trading on a prospective price/earnings ratio of below 11 for 1998. By contrast, its Asian peers are on ratios of 15-19 times earnings. The current spell of weakness looks like a buying opportunity.

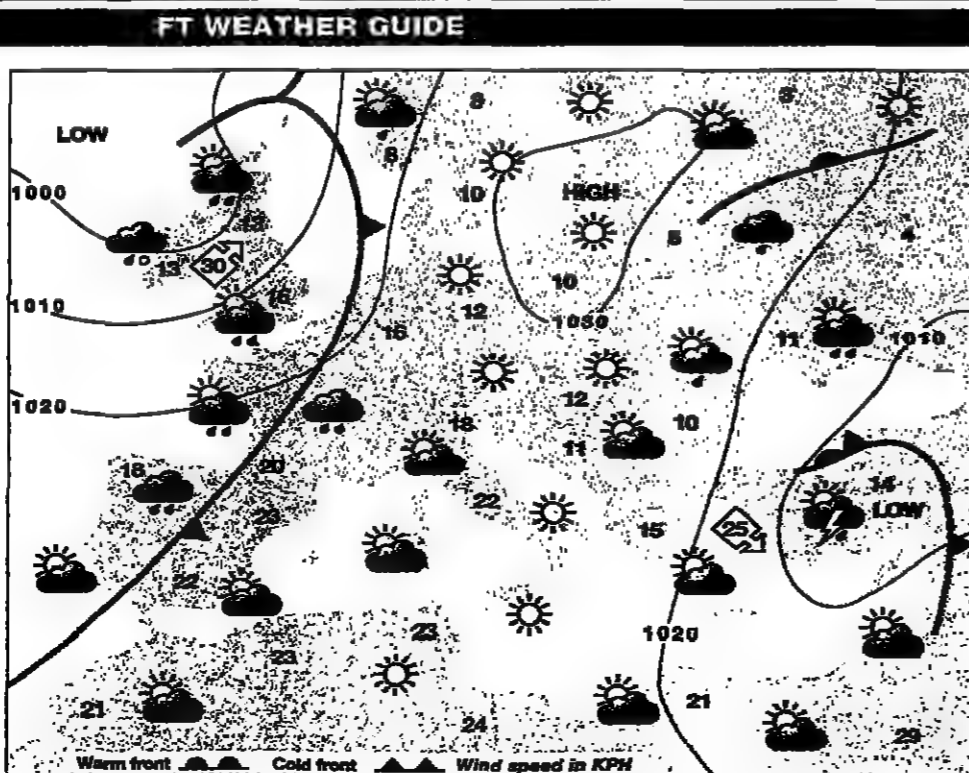
Additional Lex comment on executive pay, Page 33

Europe today

Most areas will be unchanged. There will be patchy cloud as a front moves east from the UK. Behind the front, showers will develop, especially in coastal regions. Central areas will have morning fog and sunny spells later. The Ukraine will be cloudy. Most of the Mediterranean will be sunny. The Spanish and French coasts will have some cloud.

Five-day forecast

Most regions will have unsettled conditions as the remnants of hurricane Lili bring gusty winds and rain.



TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	28
Accra	28
Algiers	28
Amsterdam	15
Athens	21
Bahia	28
Bangkok	28
Barcelona	22

sun 13	fair 33	sun 14	fair 33	sun 15	fair 33
sun 16	fair 33	sun 17	fair 33	sun 18	fair 33
sun 19	fair 33	sun 20	fair 33	sun 21	fair 33
sun 22	fair 33	sun 23	fair 33	sun 24	fair 33
sun 25	fair 33	sun 26	fair 33	sun 27	fair 33

sun 28	fair 33	sun 29	fair 33	sun 30	fair 33
sun 31	fair 33	sun 1	fair 33	sun 2	fair 33
sun 3	fair 33	sun 4	fair 33	sun 5	fair 33
sun 6	fair 33	sun 7	fair 33	sun 8	fair 33
sun 9	fair 33	sun 10	fair 33	sun 11	fair 33

sun 12	fair 33	sun 13	fair 33	sun 14	fair 33
sun 15	fair 33	sun 16	fair 33	sun 17	fair 33
sun 18	fair 33	sun 19	fair 33	sun 20	fair 33
sun 21	fair 33	sun 22	fair 33	sun 23	fair 33
sun 24	fair 33	sun 25	fair 33	sun 26	fair 33

sun 27	fair 33	sun 28	fair 33	sun 29	fair 33
sun 30	fair 33	sun 31	fair 33	sun 1	fair 33
sun 2	fair 33	sun 3	fair 33	sun 4	fair 33
sun 5	fair 33	sun 6	fair 33	sun 7	fair 33
sun 8	fair 33	sun 9	fair 33	sun 10	fair 33

sun 11	fair 33	sun 12	fair 33	sun 13	fair 33
sun 14	fair 33	sun 15	fair 33	sun 16	fair 33
sun 17	fair 33	sun 18	fair 33	sun 19	fair 33
sun 20	fair 33	sun 21	fair 33	sun 22	fair 33
sun 23	fair 33	sun 24	fair 33	sun 25	fair 33

sun 26	fair 33	sun 27	fair 33	sun 28	fair 33
sun 29	fair 33	sun 30	fair 33	sun 31	fair 33
sun 1	fair 33	sun 2	fair 33	sun 3	fair 33
sun 4	fair 33	sun 5	fair 33	sun 6	fair 33
sun 7	fair 33	sun 8	fair 33	sun 9	fair 33

sun 10	fair 33	sun 11	fair 33	sun 12	fair 33
sun 13	fair 33	sun 14	fair 33	sun 15	fair 33
sun 16	fair 33	sun 17	fair 33	sun 18	fair 33
sun 19	fair 33	sun 20	fair 33	sun 21	fair 33
sun 22	fair 33	sun 23	fair 33	sun 24	fair 33

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Address: _____

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Expatriate examination

The index is drawn from six European cost of living indices and is based on the consumption needs of a married couple with two school-children. It excludes house rents and tax levels.

To help make calculations from a UK regional base, the Reward Group has supplied some differentials from its latest UK Regional Cost of Living Report. The figures in sterling (shown in the smaller table) are the required incomes for a family of four living in a three-bedroom semi-detached

[illegible]

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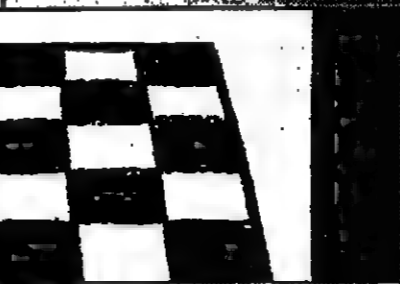
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FINANCIAL TIMES COMPANIES & MARKETS

Friday October 25 1996



IN BRIEF

Trading rise aids Deutsche Bank

Deutsche Bank reported a 25.8 per cent increase in operating profits to DM3.49bn (\$2.38bn) for the first nine months of the year, lifted by strong rises in earnings from both in-house trading and brokerage. Page 19; Lex, Page 16

Chip weakness holds back Sharp
Sharp, one of Japan's leading electronics groups, was held to a 3 per cent increase in first-half non-consolidated recurring profits to ¥36.1bn (\$319.4m) by the drop in semiconductor prices over the past year. Page 22

Virgin Express in Sabena accord
Virgin Express, the cut-price European airline, has reached outline agreement to take over loss-making flights operated by Sabena, the Belgian airline, between Brussels and London. Page 23

Primark buys UK group for \$105m

By John Gapper, Banking Editor

Primark, the US financial information and technology company yesterday announced a \$105m takeover of ICV, the UK company supplying share price data, and a linked joint venture with Dow Jones, the US publisher of financial information.

The joint venture, providing a mixture of historical and real-time information about international equities through the screens on traders' desks, will challenge Reuters' dominance in a market estimated at \$200m in annual revenues.

The takeover by Primark, owners of the Datastream

financial information database, is a further indication of the growth of financial information services, in which Reuters and Dow Jones face competition from the Bloomberg network.

The joint venture, which involves merging the news arms of ICV and Dow Jones in London to provide increased coverage of equity markets and companies, will supply information both over dedicated terminals, and open data feeds.

ICV is a supplier of real-time equity information from the London Stock Exchange through Topic terminals. But it has not been able to compete effectively with Reuters in

combining real-time financial information with news.

The venture, which will be called Primark/Dow Jones Equity Service, will compete with the Reuters News 2000 service. It will be aimed at City of London trading rooms, and at international equities dealers and portfolio managers around the world.

Mr Joseph Kasputis, chairman and chief executive of Primark, said it had been looking for a way to add real-time data to its range of historical financial information businesses, and ICV fitted very well with its strategic aims.

Dow Jones' Telerate financial information product has been providing information to

dealers mainly in fixed income and foreign exchange markets. However, Dow Jones will provide real-time data from over 100 equities exchanges.

ICV employs about 20 journalists to provide news on Topic screens relating to the London equity market. These will be combined with about 70 journalists employed by Dow Jones, and further investments are envisaged.

The deal makes Mr Christopher Sharples, ICV's founder, an instant multi-millionaire. It gives cash and securities worth \$57m to the family trust of Mr Sharples.

It is structured so that Mr Sharples will swap the 54 per cent stake in ICV held by his

family trust into Primark shares. The total payment for ICV is 2.2m Primark shares, valued at \$61m yesterday, and \$44m in cash and notes.

The deal will give Mr David Taylor, ICV chief executive, a payment of \$18m. Both Mr Sharples, a former chairman of the Securities and Futures Authority, the City regulator, and Mr Taylor, are to take management posts in Primark.

Mr Sharples is to be chairman of Datastream International, with Mr Taylor as chief executive. "We are entrepreneurs by nature, and this deal does not change us. I'm not ready to wander off to a Caribbean island," Mr Sharples said. Background, Page 23

SKF falls 48% as demand slackens

By Hugh Carnegie in Stockholm

Profits at SKF, the world's biggest supplier of roller bearings, were almost halved in the third quarter as prices fell and demand slackened in high-margin markets.

The Swedish group - a bellwether of global industrial activity as its products are widely used in manufacturing - said demand was positive in Asia and, to a lesser extent, in the US. It said a decline in western Europe in the first half had flattened out in the third quarter but "no general upturn is noticeable in western Europe". It added the business climate was expected to be "largely unchanged during the next few quarters".

Pre-tax profits at the Gothenburg-based group fell from SKr720m (\$110m) in the third quarter last year to SKr374m on sales down from SKr7.7bn to SKr7.5bn.

In the first nine months, pre-tax earnings fell by a smaller margin - from SKr2.6bn to SKr2.5bn. Earnings per share were down from SKr14.70 to SKr14.40.

The result was slightly beneath market expectations and SKF's most traded B-share slipped SKr1.50 to close at SKr154 in Stockholm. The 3 per cent fall was much steeper than an overall 0.18 per cent fall for the bourse's manufacturing index. Group sales for the first nine months were down 10 per cent from SKr25.3bn to SKr25.4bn. Operating profits slid from SKr3.1bn to SKr2.9bn.

A significant factor was the adverse effect of a stronger Swedish krona compared with the same period last year. But SKF was hit by a trend of lower prices - caused by competitive pressures and weaker demand - as well as by lower volumes in Europe, where margins are higher than in Asia and the US.

SKF said a pick-up in car sales in Europe in the third quarter had lifted sales but sales to truck manufacturers had fallen below 1995 levels. It added that the pattern of activity in Europe varied from market to market. While Germany and other northern European markets were showing an improvement in demand, France and especially Italy remained weak.

Rising new car sales in the US helped keep sales at the carmakers there ahead of 1995 levels, but sales to the truck sector were significantly lower. The lower production rate in the truck sector was set to continue for the rest of the year, SKF said.

It added that demand was still weak for components from the textile industry.

BCH in \$200m Colombian expansion

By David White in Madrid

Banco Central Hispano yesterday announced plans to take a large stake in Banco de Colombia in a deal worth at least \$200m. It is the latest in a series of Spanish banking acquisitions in South America.

It said it had agreed in principle to buy 36-38 per cent of the bank, Colombia's second-largest in terms of assets and profits, from the Gilinski group, which has wide-ranging financial and industrial interests in the country.

The purchase could be worth up to \$200m, depending on the size of BCH's participation, which still had to be decided, it said.

The move by BCH reinforces the important role Spanish banks are playing in the sector's development in Colombia. It follows the recent acquisition by Banco Bilbao Vizcaya of a 40 per cent stake in Banco Ganadero, the country's largest banking group.

Banco de Colombia, privatised in 1994, had assets of \$2.4bn at the end of last year and operates a network of 260 branches, with 5,000 employees. BCH is to take its stake by subscribing to a capital increase next year. It said it would manage the bank jointly with the Gilinski group, in keeping with its policy of basing its foreign operations on alliances with local partners.

The deal marks a new phase of BCH's expansion in South America, where it has focused on a partnership with the Lakis group of Chile.

Its Chilean joint venture recently merged Banco O'Higgins with Banco de Santiago to form the country's largest banking group. The unit also controls the Banco de Sur group in Peru. Banco Toruquel in Argentina, Banco de Asunción in Paraguay and Central Hispano Banco in Uruguay. BCH said the deal with the Gilinski group would be the first step towards wider collaboration in the financial sector in the northern part of the continent.

Separately, Spain's Banco Santander yesterday concluded a deal to take control of Banco Mexicano, the fifth largest bank in Mexico in terms of assets.

Banco Santander sees the purchase as potentially the biggest of its extensive operations in Latin America. The Spanish group views Banco Mexicano, with a retail banking network close to 200 branches, as a platform for expansion in Mexico. Santander details, Page 20



Mike Blackburn, Halifax chief executive, is leading the building society towards flotation next June

UK society to give up bid cover

By Christopher Brown-Hume in London

The Halifax, the UK building society, is to give up its right to five years of takeover protection after it floats on the stock market next June.

The decision, made for technical reasons to free up capital, could lead to bid speculation following the flotation. However, the society, which will be one of the top 35 UK companies, believes its size will be a considerable deterrent to predators.

The society announced its decision on takeover protection yesterday as it and the Woolwich, another building society, provided further details of their share flotations next year. Halifax said its 5m members would learn in January - when the group publishes its transfer document - how many shares they would get from the conversion and an indicative pricing range.

The Woolwich said it expected to float in July, after publishing its transfer document in January and seeking approval for its plans from its 4m members in February.

The Alliance & Leicester, which plans to float next spring, is expected to publish its document next week. It expects its 3.5m members to vote on its plans in December.

The Halifax flotation will be one of the largest single extensions of UK share ownership. Analysts expect the society to be valued at about £10bn (\$15.6bn), against a value of about £3bn for the Woolwich and £2.5bn for the Alliance & Leicester. Qualifying members, including nearly all savers and borrowers, will receive free shares averaging up to £1,000 from each society. The Halifax, led by chief executive Mr Mike Blackburn, will lose its takeover protection because it has decided to change a technical aspect of its conversion.

It is floating by transferring its business to an existing subsidiary rather than setting up a special new company. This means it no longer has to create a "priority liquidation distribution right" - a facility which is relevant only if it goes into liquidation.

But by abandoning PLDR it automatically loses its right to takeover protection. The PLDR would have tied up several billion pounds of the group's capital at the outset, although it would gradually be run off.

Mr Mike Ellis, Halifax's managing director of treasury and overseas operations, said: "We are going to be one of the top 25 listed companies and we don't believe the takeover restriction is either necessary or appropriate."

The Woolwich and the Alliance & Leicester plan to keep takeover protection for five years and are setting up companies which will include the

obligation for PLDR. Mr John Stewart, Woolwich chief executive, said: "Five years protection, whilst not vital, is necessary whilst we become established as a PLC."

The five-year rule has proved controversial because while it protects converting building societies, it does nothing to stop them making hostile bids for other companies.

Mr Rob Thomas, analyst at UBS, said: "The Halifax is going to have a lot more capital than it needs and this could be used for quite a big acquisition." The Halifax insisted it had no specific acquisition target in mind.

The Halifax said that to qualify for a share, members needed to have at least £100 in their accounts on December 31 1996. Exact allocations will depend on the lower of balances held on the November 25 1994 and the date of a special members meeting in late February.

Market Statistics	http://www.ft.com
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FTSE 100 share index	24

Chief price changes yesterday

FRANKFURT (DEM)			
Deutsche	582.5	+ 4.5	
Paribas	138.5	- 5.5	
Adlon	140	- 2.5	
Kal & Salt	384.5	- 1.5	
MAN	562.5	0	
West	901	0	
NEW YORK (US)			
Merck	27	+ 24	
Western Dig	454	+ 3	
Paribas	344	- 41	
AMP Inc	214	- 24	
Monaco	214	- 24	
Home Corp	214	- 24	
State Corp	214	- 24	
LONDON (Pence)			
Deutsche	515	+ 19	
Paribas	5579	+ 251	
Adlon	365	- 28	
Paribas	5579	- 391	
EMAP	7124	- 32	
TOKYO (Yen)			
Deutsche	10.9	+ 3.5	
Paribas	1.1	+ 1.1	
SEI Corp	19.4	+ 2.3	
Paribas	43.0	- 2.5	
AT&T	20.75	- 1.25	
Paribas	4.01	- 0.04	
Deutsche	175	+ 7.8	

New York and Tokyo prices at 12.30pm.

Airlines lift fares after jump in jet fuel prices

By Deborah Hargreaves in London

Airlines are being forced to raise fares or, for the first time since the Gulf war, add fuel surcharges after a rise in jet fuel prices to a five-year high.

KLM, the Dutch airline said this week it would levy fuel surcharges of between £19 and £123 to all tickets bought in the Netherlands from November 1. The US's Northwest Airlines, which has an alliance with KLM, said it would put the surcharge on transatlantic routes and monitor the situation elsewhere.

Trans World Airlines, the US carrier, which yesterday

reported a loss of \$14.3m for the third quarter, said its fuel bill had risen by \$40.3m over the same period last year.

British Airways last week raised fares 2.5 per cent rise on European routes because of higher fuel prices and said it would consider raising long-haul prices.

KLM said: "We've seen our fuel costs rise by 40 per cent since last September and we haven't had a fuel surcharge since the Gulf war."

Jet fuel prices have surged this year on the back of a stronger oil market and low stocks. Although the market has slipped slightly in recent days, prices of \$354 a tonne are

still 45 per cent higher than in October last year.

"This is a market that normally trades between \$185 to \$195 a tonne and reaches its peak in the winter, but the weather isn't even cold yet and prices are \$70 a tonne higher than usual," said Mr Lindsay Horn, executive director of energy derivatives at Lehman Bros in London.

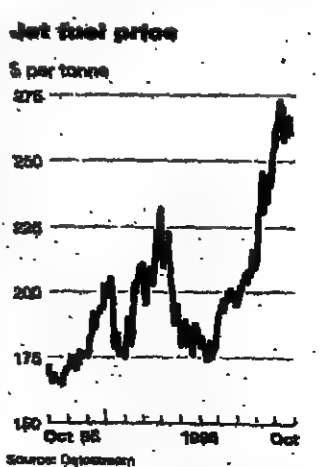
Analysts say the sustained rise took most airlines by surprise. The fuel bill usually accounted for 10-11 per cent of a carrier's costs. But many had failed to hedge against a rise.

Prices have been pushed up partly by the European Union's move this month to

low-sulphur diesel fuel. Oil refineries can blend jet fuel with diesel to lower the sulphur content, which has put pressure on jet fuel supplies.

Strong demand, particularly from Asia, has also pushed up prices. The industry has also held off building up stocks in expectation of lower prices, which failed to materialise.

Some analysts calculate that, for every 10 per cent increase in the fuel price, the industry must push up fares by 1-1.5 per cent, which means airlines could now be looking at charging 3.5 per cent more. US airline results, Page 21; Boeing result, Page 20; Commodities, Page 26



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COMPANIES AND FINANCE: EUROPE

Chastened Philips searches for a clearer future

Improvements are promised at Dutch electronics group after collapse in third-quarter results

"The trouble with our times," wrote the French poet Paul Valéry, "is that the future is not what it used to be. He could have been talking about today. Once we seemed to be evolving gently towards the future. Now as the pace of change accelerates exponentially, the future seems to be racing towards us. Time itself is becoming compressed."

So spoke Philips early this year in "From vision to reality," a brochure extolling the part its products could play in global upliftment. It formed part of the first worldwide promotional drive by the Dutch electronics group, under the slogan "Let's make things better".

Philips was riding high. It had just produced a record set of earnings for 1995,

when net profits reached F12.52bn (\$1.5bn) on sales of F164.5bn.

Yesterday, however, it was a chastened company. And the booklet's pronouncement could equally have described its own changed corporate reality, as well as the difficulty Philips is having in establishing the strength of vision to see past it.

Price erosion across virtually all its divisions, from semiconductors to television sets; dull consumer markets in the US and western Europe; and a cash consuming expansion into new sectors such as mobile phones - all had contributed to a collapse in third-quarter net earnings to just F1.12bn, half the level that the gloomiest analysts had forecast.

At a press conference at its Eindhoven headquarters

Mr Dudley Eustace, finance director, had just finished enumerating the problems when Mr Cor Boonstra, Philips president since the beginning of the month, dropped in unexpectedly to convey his message in person.

He conceded he could not yet offer any grand new strategic direction to the financial markets, which have accorded Philips none of the nearly 50 per cent average gain seen in other leading Dutch stocks this year. "We need the budgetary procedures in place... before taking major corporate actions," Mr Boonstra said.

But he added, "my job is to lead the management in unlocking the value of the company". This could involve the flotation of a profitable business unit. Others which did not perform

would be sold or closed.

Mr Boonstra set tough targets to evaluate performance. Overall, these amounted to a requirement that the group produce a positive cash flow of F1bn or more a year, sustainable double-digit growth in operating income, and a 24 per cent return on net assets.

"I don't like talking tough but I do like clarity," he said. "What gets measured, gets done."

As far as management was concerned, "our overall goal is to get more done with fewer people. We are talking about overheads. There is enough uncertainty on the shop floor". At the same time, the new chief earmarked the lighting division, a traditional cash generator, as ripe

for a restructure. This would have happened last year except that, with strong demand for its products, there was neither the time nor the capacity.

Even there, Philips has since suffered from price cutting by rivals which can operate from a lower cost base. Lighting sales in the first nine months of this year were up 2 per cent at F147.8bn, but divisional operating profits fell 45 per cent to F1.52bn.

The F1bn charge includes a share of a 590m provision which PolyGram, the group's 75 per cent owned music and film subsidiary, this week said it would make to cover reorganisation costs at its record labels.

Also taken into account is a streamlining of Philips' main corporate centre.

where more than 600 people work. National head offices outside the Netherlands are also expected to be overhauled.

At the same time, marketing will be strengthened to extend a Philips brand which Mr Boonstra depicted as "clearly under-utilised but having enormous value". To this end, one new job has been created in Eindhoven this month: that of senior marketing director. It went to Mr Gérard Dufour, the French advertising agency executive who coined "Let's make things better". As the services of the pool Valéry have not been available for 50 years, he will report directly to the president with the task of marketing muse.

Gordon Cramb

EUROPEAN NEWS DIGEST

MAN trucks unit warns of decline

MAN Nutzfahrzeuge, the German commercial vehicle maker, lifted net earnings 7 per cent from DM165m to DM168m (\$110m) in the year to end-June, but yesterday warned it expected a sharp decline in profits for the current year. The company, a subsidiary of MAN, the German engineering group, said falling demand for trucks in west Europe, high wage increases and the strong mark would take their toll on earnings. "We expect a satisfactory result but it will be considerably lower than last year," said Mr Rudolf Ruppert, chairman. MAN shares dropped 4 per cent to DM384.40.

"MAN Nutzfahrzeuge is the corner stone of MAN so it is bad news for the group as a whole," said Mr Michael Hagmann, analyst at UBS in London. "I had expected them [MAN Nutzfahrzeuge] to start feeling the impact of the recession in the west European truck market, but I thought they would make a more moderate warning for the current year." MAN Nutzfahrzeuge accounts for about 40 per cent of MAN revenues.

The truck maker, the second largest in Germany after Mercedes-Benz, suffered a decline in profitability in the early 1990s. However, it appeared to be on the road to recovery over the past two years, returning to the black in 1994-95 from a pre-tax loss of DM30m in 1993-94. Mr Ruppert said the group had reduced capacity towards the end of the last financial year and was continuing with cost-cutting measures. However, he added that while demand was expected to pick up in Germany in the next few months, orders were declining in the group's other core west European markets.

Last year, group production rose 13.6 per cent to 49,263 units and turnover climbed 10.3 per cent to a record DM7.98bn. However, weak domestic demand for trucks led to a fall in new orders from DM7.73bn to DM7.54bn. New registrations of trucks above six tonnes, the group's speciality, rose from 30,800 to 35,600 in west Europe. Market share in Germany dropped from 26.8 per cent to 25.3 per cent.

Sarah Athaus, Munich

Club Med plans re-launch

Club Méditerranée, the French-based leisure group whose shares dropped sharply after a profits warning on Tuesday, said yesterday it planned to launch a new commercial policy designed to win back sales. It promised a "more targeted" strategy with greater variety in pricing structures for different types of clients, and renewed efforts to increase sales through reducing bulk buying of airline seats.

The details came after the group said its second-half operating results for 1995-96 would be at the same levels as the same time last year, or lower than analysts had expected. It stressed that the comments made by Mr Serge Trigano, chairman, several weeks ago were correct, and that it had experienced an increase of 5-6 per cent in the number of holiday packages sold this summer. However, it added that sales were concentrated in its lower-cost packages, which generated lower profits.

Andrew Smith, Paris

Esselte up despite sales fall

Esselte, the Swedish office equipment, posted nine-month pre-tax profits up 14.8 per cent from SKr376m to SKr431m (\$65.32m) on sales down from SKr9.08bn to SKr8.45bn. Net profits were SKr472m against SKr229m, and earnings per share increased from SKr6.70 to SKr7.90. The company confirmed its earlier forecast that its pre-tax profit in 1996 would be higher than last year, although the rate of growth will not be as high as the shares closed up SKr2.45 to SKr148.

Esselte said an 8 per cent strengthening in the krona to the first nine months reduced sales by around SKr778m. Calculated in exchange rates prevailing last autumn, Esselte's pre-tax profit would have been SKr65m higher. Mr Bo Lundquist, chief executive, said positive effects on profits from its recent acquisitions were expected to start materialising in 1997-98. He said sales continued to develop well in North America and southern Europe, as well as in the UK and the Nordic region, excluding Sweden, while the Asia-Pacific division is still building up its operations and had a negative effect on profits.

AFX News, Stockholm

Statol slips 13%

Statol, the Norwegian oil group, posted nine-month net profits down 13 per cent from Nkr4.5bn to Nkr3.9bn. It expected low oil stocks, good demand and high oil prices in the fourth quarter maintaining operating profit levels for the rest of the year.

AFX News, Oslo

Market divided over 'miracle margarine'

By Hugh Carnegie in Stockholm

Shares in Raisio saw-sawed yesterday as investors differed over the Finnish group's plans to exploit its "miracle" margarine Benecol, which cuts cholesterol intake.

Raisio, whose shares have rocketed since it revealed its invention late last year, announced significant progress towards solving a shortage of raw material that has so far held back output of a product that could become a worldwide health aid. It said it would begin exporting Benecol to neighbouring Sweden in the first half of next year.

Benecol bears, who query forecasts of rapid international success for the margarine, were unimpressed. In initial trading, they drove down Raisio shares sharply. At one stage, the shares had dropped FM13.40 to FM289.

But Benecol bulls, who fuelled an explosion in Raisio shares from FM63 at the turn of the year to a high of FM339.90 in September, emerged from simultaneous briefings in Helsinki and London convinced their optimism was justified.

Within hours, the shares were sharply up again to reach FM308. However, a more cautious note set in towards the end of trading and Raisio shares ended the day at a more cautious FM306.50 - up a net FM4.10.

The main factor restraining the development of Benecol has been a shortage of the key raw material - plant sterols, which inhibit cholesterol absorption. Rai-

sio has patented a process which converts sterols to tasteless stanol esters. These are soluble in fatty foods.

Although plant sterols are readily produced in mass vegetable processing such as making wood pulp, few manufacturers collect them.

Raisio said yesterday it was negotiating with UPM-Kymmene, Europe's biggest pulp and paper company, to increase supply. It was also gaining access to sterols from vegetable oil processors, and said it would build a second plant to bring total stanol ester capacity up to 2,000 tonnes a year by January 1998.

Mr Karl Jokinen, chief executive of Raisio's margarine division, said that corresponded to anticipated demand for a total market of 60m people.

The first exports of Benecol would be to Sweden, starting next year. In other markets, Raisio intended to sell via co-operation agreements - and was likely to vary which product stanol esters were introduced into in different markets according to local tastes.

Mr Michael Finney, analyst at Kleinwort Benson in London and a leading Benecol bull, said Raisio's plans justified earlier predictions. He has been among those forecasting profits of more than FM1bn by 2000.

But Mr Ben Warn, analyst at Enskilda Securities and a long-time Benecol bear, said Raisio had given little new information. "There is no denying it is a good product, but estimating the value of what they can do in this decade is very blurred."

Stora tumbles 69% at nine months

Stora, the Swedish paper and packaging group, yesterday posted profits after financial items down 69 per cent from SKr6.2bn to SKr1.9bn (\$288m) for the first nine months, reports AFX News from Stockholm.

Operating profits fell from SKr6.9bn to SKr4.3bn on sales down from SKr43.2bn to SKr34.2bn. Net profits also fell, from SKr4.1bn to SKr1.26bn, and earnings per share dropped from SKr12.30 to SKr3.95. The results were in line with expectations and the shares closed up SKr0.50 at SKr56.

Stora said nine-month volumes of paper, pulp and board were down 8 per cent from the prior year. The fall in sales was due to a downturn in delivery volumes and lower prices of almost all products, Stora said. The stronger krona affected sales negatively by SKr2.5bn, and the disposal of Stora Building products and Newton Falls had a negative effect of SKr1.8bn.

Stora's operating profit

was hit by lower prices and deliveries by SKr3.3bn, while the stronger krona's negative effect was SKr625m. It said. Weak economic development in Europe has had a negative impact on paper and board markets, Stora said. It said customer destocking and cost savings measures during the first half also weakened overall performance.

Demand in the US has been somewhat better due to the stronger economic situation, although deliveries there were also lower than in the same period in 1995.

In the third quarter, the pulp market was calm, Stora said, partly because of seasonal factors and partly as a result of lower shipments to south-east Asia following the high levels recorded during the early summer. Demand for fine paper remained stable.

The order situation has improved in the board and packaging areas, particularly for liner and fluting. Order bookings for uncoated and

PROFILE

Stora

Market value: \$6.17bn Main listing: Stockholm

Historic P/E 8.12

Gross yield 4.4%

Earnings per share SKr18.70

Current A-share price SKr56

Share price relative to the Affarsveiden General Index

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Creditanstalt bid conditions revised

By William Hall in Vienna

The Austrian government has dropped its condition that bidders for its controlling stake in Creditanstalt, the country's second biggest bank, must agree to buy all 19.6m shares, currently worth around Sch14bn (\$1.3bn).

It has indicated that while it would prefer to sell its entire stake in one operation, it will consider bids for only part.

The government's willingness to adopt a more flexible attitude towards bids for its 70 per cent effective voting stake in Creditanstalt is

intended to end more than five years of uncertainty over the ownership of Austria's most famous bank.

This week, it invited interested parties to submit bids for its shares before November 15.

Mr Viktor Klima, finance minister, is committed to solving the problem before the end of the year. He has told the Financial Times he intends to be "more flexible" than previously in interpreting the question of Austria's national interest.

Under the previous sales procedure, he was committed to considering only bids for the government's entire stake.

Mr Klima said it remained his intention to sell its entire stake. However, if that was not possible he would consider other alternatives. He also indicated he would be more flexible in interpreting the condition that 51 per cent had to be kept by Austrian shareholders.

He said he would assess any bids for the government stake against three objectives. He wants to use the sale to add to an improvement in Austria's banking structure, as well as "keeping an eye on the national interest". He also wants to raise as much cash as possible for the budget.

Mr Klima expected to take

a decision on the ownership before the end of the year. After that, he would turn his attention to plans to sell the government's remaining 17 per cent in Bank Austria, the country's biggest bank.

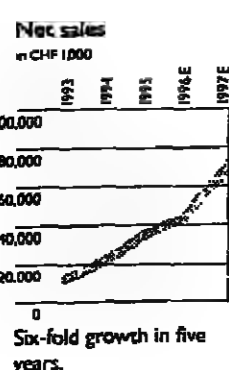
Creditanstalt yesterday reported a 10 per cent rise in the group's nine-month operating earnings to Sch4.6bn. It said it expected its full year net profits to rise by about one-fifth and its return on equity to top 10 per cent.

However, analysts believe the improvement in earnings is being driven by the group's non-banking businesses, which are cushioning a continuing weak performance by the parent bank.

In mid-November the registered shares of SEZ Holding AG, Zurich, will be floated under the lead of Bank J. Vontobel & Co AG and listed on the Swiss Exchange.

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SEZ develops, produces, distributes and services process equipment for the international semiconductor industry. Its Spin Etch Technology, a completely innovative rotary wet etching process, boosts productivity and helps semiconductor manufacturers to cut their costs. SEZ's client base already includes six of the world's top ten and all of Europe's leading microchip producers.



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SEZ: founded by Egon Putz and Franz Summitsch, the current CEOs, to develop an innovative wet etching process for the semiconductor industry. 1996: Operational headquarters in Villach (Austria), with subsidiaries in the UK and USA, a joint venture in Japan and strategic alliances in Taiwan, Korea and Singapore. Sales: CHF 43.1 million; net income: CHF 6.8 million; equity ratio after IPO: over 80%. 1997: Quantum leap in growth: sales up 60%, net income up 95%.

To obtain full information, order the SEZ company portrait from: SEZ AG, Monika Kraker, Draubodenweg 29, 9500 Villach, Austria. Phone +43 4242 204, or Bank J. Vontobel & Co AG, Karin Oetel, Bahnhofstrasse 3, 8022 Zurich, Switzerland. Phone +41 1 283 71 60.

SEZ

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In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from October 25, 1996 to April 25, 1997 the Notes will carry an interest rate of 5.6875% per annum. The interest payable on the relevant interest payment date, April 25, 1997 against Coupon No. 24 will be U.S. \$287.53.

By: The Chase Manhattan Bank
London, Agent Bank
October 25, 1996.

THE REPUBLIC OF ARGENTINA NEW MONEY BOND DUE 1999

Notice is hereby given that for the interest period beginning on October 25th 1996 and ending on April 25th 1997, the Bond will carry an interest rate of 6.5625 per annum.

Banco Central de la Republica Argentina
Republic of Argentina Financial Agent.

U.S. \$100,000,000

HSBC AMERICAS, INC. (formerly Citicorp International Bank, Inc.) Floating Rate Subordinated Capital Notes due 1999

For the interest period 25th October, 1996 to 25th January, 1997 the Notes will carry an interest rate of 5.825% per annum with a Coupon amount of U.S. \$21.77 per U.S. \$100.00. Interest payment due 25th January 1997.

HSBC London Limited
London, Distribution Agent

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(Incorporated in Canada)
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5 per cent Debentures, 2000

In accordance with the provisions of the debentures, notice is hereby given that for the interest period beginning on October 1st 1996 and ending on April 1st 1997, the debentures will carry an interest rate of 5.30% per annum. The interest payable on the relevant interest payment date, April 1st 1997, will be U.S. \$1.50 per U.S. \$100.00.

By: The Chase Manhattan Bank
London, Agent Bank
October 25, 1996.

ADELPHI BANK LIMITED (Incorporated in Hong Kong) MULTIPLE OPTION FACILITY AGREEMENT DATED MARCH 26, 1996

In accordance with the provisions of the Transferable Loan Certificate issued on April 15, 1994, notice is hereby given that for the next three months interest period from October 24, 1996 to January 24, 1997, the Certificate will carry an interest rate of 6.1125% per annum.

By: Bank of China PLC, Hong Kong
As Facility Agent

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Deutsche Bank ahead on back of strong markets

By Wolfgang Münchau in Frankfurt

Deutsche Bank reported a 25.8 per cent increase in operating profits to DM3.49bn (\$2.27bn) for the first nine months of the year, against DM2.78bn in the year-ago period, a result that reflects the buoyancy of the markets this year.

The figures were in line with expectations, and the shares closed down 12 pfennigs at DM71.45.

Germany's largest bank benefited strongly from increases in earnings both from in-house trading and brokerage income.

Commission surplus went up 25.9 per cent, or DM1bn, to DM4.92bn, while trading profits increased 46.6 per cent to DM2.06bn.

Mr Hilmar Kopper, chairman, said: "We expect this positive results trend to continue in the last quarter this year."

He also underlined the need for continued change at the bank because of intensifying international competition.

Overall costs went up 9.9 per cent to DM10.9bn, more than analysts had predicted. The unexpectedly strong rise came in part from the weakening of the D-Mark relative to last year.

Stripping out the effect of first-time consolidations and changes in the exchange rate, the rise in costs was 4.7 per cent, more in line with expectations.

Deutsche Bank is also likely to have made provisions for some of the £180m (\$261m) with which it bailed out several investment funds at Morgan Grenfell Asset Management, its troubled UK fund management arm.

The item "other expenditures" in the nine-months earnings report showed a 37 per cent increase to DM1.07bn.

As a result of higher costs and higher taxes, net profits increased at a slower rate than operating profits. These rose only 9.1 per cent from DM1.4bn to DM1.53bn. Pre-tax profits were up 27.1 per cent to DM3.05bn.

Mr Stephen Lewis, banking analyst at UBS, said:

"We are not expecting fundamental changes ahead. But after [Deutsche] completes the investment drive at Morgan Grenfell and the consolidation of the domestic branch network, we may see better cost performance and higher profits. At this point in time, I would give them the benefit of the doubt."

The bank's mainstream credit business ended the period in line with targets. Interest margins remained near the low levels of the first half of the year.

Interest income before risk provisions rose slightly, but was down by 0.9 per cent after risk provisions.

The bank's branch network continued to decline in size. At the end of September, the bank operated 80 fewer branches than a year earlier. Most of the reductions were in Germany.

There was a small reduction in the bank's German-based staff, but this was more than offset by an increase in staff employed abroad. See Lex

EUROPEAN NEWS DIGEST

Arthuis calls for CIC confidentiality

Mr Jean Arthuis, the French economics and finance minister, said yesterday he had held a meeting with the top executives involved in the partial privatisation of the CIC banking group to "remind" them of the need for confidentiality and ethical behaviour during the sell-off process. His comments were addressed to Mr Jean-Jacques Bonnaud, the head of the state-owned GAN insurance group, and the senior executives of CIC, the bank which it controls, including Mr Bernard Yoncourt, its chairman, who last week expressed concern about the future survival of the bank under either of its potential new owners.

Mr Yoncourt earned the reproach of Mr Arthuis for expressing concern about what the plans of the two candidates, Société Générale and Banque Nationale de Paris, for CIC. Both have offered about FF6bn (\$1.16bn) for a two-thirds stake in the bank. Mr Arthuis stressed that the government would demand that any purchaser to respect commitments, including the need to respect the local character and regional identity of the 11 banks in the CIC group.

However, there are growing questions about whether the privatisation will continue, given growing political opposition, the small number of candidates who have bid and the size of their offers, which would force GAN to record a substantial capital loss in its books.

Andrew Jack, Paris

Endesa advances 11%

Endesa, the dominant Spanish electricity generator which is slated for further privatisation, reported an 11.8 per cent increase in net profits for the first nine months to Ptas20.86bn (\$641.5m), although sales stagnated at Ptas50.92bn. The shares closed up Ptas10 at Ptas8.050.

The company, currently two-thirds state owned, said results were helped by the sharply higher availability of cheap hydro-electric power, reduced debt and lower interest rates. Operating costs were 4 per cent lower than in the same period last year. Interest-bearing debt on September 30 was down from Ptas26bn to Ptas34bn.

Endesa said operating revenues were affected by a 5.6 fall in prices to final customers, resulting from a change in the system of levies for subsidising Spanish coalmines.

The Madrid government recently authorised the company to increase its holdings in two regional utilities, Sevillana and Fesca, to 75 per cent in a Ptas300bn investment. Endesa is at the same time set to shed its 7.5 per cent in Unión Fenosa, but has balked at government suggestions it should sell its controlling stakes in two northern companies, Electra de Viesgo and Saltos del Nansa. Privatisation of Endesa is planned in stages over the next three years.

David White, Madrid

'Excellent' year at Munich Re

Munich Re, the German reinsurance company, yesterday said earnings per share in the year to June totalled DM140, more than double those of a year earlier. In a statement released after a supervisory board meeting, Munich Re said it achieved "excellent" earnings in the year to June, driven by an improvement in its underwriting business. The shares closed up DM30 at DM2,890.

In the year to June 1995, net profit was DM825m (\$213.3m), while the underwriting profit was DM18m. It said fluctuating claims reserves stood at DM955m compared with DM785m a year earlier, while reserves for pending insurance claims totalled DM500m, up from DM250m. The company would allocate DM100m to normal reserves, up from DM60m a year earlier.

Munich Re said it would propose a DM16 dividend for the year to June, up from DM13.50, out of a net distributable profit of DM132.5m, up from DM102.4m a year earlier. It would ask shareholders to approve a 10-for-1 share split for both its bearer and registered shares.

AFX News, Munich

Amper climbs 48%

Amper, the Spanish electronics group, said group net profit climbed 48 per cent from Ptas2.03bn to Ptas3.04bn (\$23.6m) in the nine months to September 30. Group sales rose 11.4 per cent from Ptas2.45bn to Ptas2.73bn. Amper said its technical services activity continued to expand, with sales climbing 104.3 per cent to Ptas7.97bn. The group's shares closed unchanged at Ptas1.940.

Amper said its efforts to internationalise its activities had lifted earnings in the nine months, with exports rising 46 per cent to Ptas9.55bn. It said foreign sales represented 32.4 per cent of the group's total sales at Sept 30, compared with 24.8 per cent a year earlier. Amper said its cash flow rose 17.8 per cent in the nine months to Ptas4.59bn.

AFX News, Madrid

Paris listing for Guyanor

French Guiana, the French department sandwiched between Brazil and Surinam in South America and notorious for its appalling history as a penal colony, now seems likely to emulate another former penal colony - Australia - and become a substantial producer of mineral wealth. That is the message being taken to European investors this week by Guyanor Resources, an exploration company which later this month will become the first French Guianese company to be quoted in Paris when it joins the *nouveau marché*.

Mr David Fennel, president, said yesterday: "We believe that by having Guyanor Resources seen as a French company trading in France we will attract a healthy premium for our shares." Mr Charles Kermot, analyst at Paribas Capital Markets, agrees. "The French location of its properties should make it doubly attractive to European funds that want to increase their gold exposure," he suggested.

At present Guyanor is valued on the Toronto exchange at about C\$525m (US\$390m). It will issue between 1m and 1.5m new shares in Paris to raise C\$14m to C\$21m for further exploration. This will reduce the holding of its parent, Golden Star Resources, from 70.7 to 67.9 per cent.

Guyanor has a diamond and four gold projects in French Guiana and already has some substantial partners that are providing nearly all the cash for development. Asarco and Cambior are involved in the gold projects and Broken Hill Proprietary is financing the diamond exploration.

Kenneth Gooding, Mining Correspondent

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Hilmar Kopper: underlined the need for continued change at the bank to meet competition

Cut in loan provisions buoys Banco Central Hispano

By David White in Madrid

Banco Central Hispano, lately the least profitable of Spain's big banks, yesterday reported a 20.1 per cent improvement in attributable group net earnings for the first nine months of the year, to Ptas27.31bn (\$212.7m). However, the results were boosted by a big reduction in loan provisions. The shares rose Ptas5 to close at Ptas3.040.

BCH said the result, which compared with a 13.3 per cent rise for the first half, confirmed expectations of a tripling in attributable profit for the whole year. This follows completion of a financial restructuring which left 1995 consolidated earnings 82 per cent down on the previous year, at Ptas12.47bn.

Mr Emilio Novela, a general manager, said the bank lifted its market share with a 12.8 per cent increase in cus-

tomers funds compared with the same stage last year, and 18 per cent growth in lending - reflecting, in particular, improved mortgage business. Total assets were up 14.4 per cent at Ptas11,472bn.

Before tax and minorities, group earnings for the nine months climbed 43.4 per cent to Ptas40.66bn. Exceptional losses of Ptas3.26bn, compared with exceptional gains of Ptas30.90bn in the same 1995 period, were offset by a 42.4 per cent reduction in net loan provisions, from Ptas5.26bn to Ptas3.85bn.

The ratio of non-performing loans fell about one-third to 4.1 per cent, and Mr Novela said the figure would be at 4 per cent or below at the end of the year, and between 3.7 and 3.8 per cent for the parent bank.

Fee income, especially from investment fund and pension plan business, rose 17.5 per cent to Ptas73.8bn.

An increase of 8.9 per cent in the group's personnel and general costs was attributed wholly to the expansion of its Latin American operations, compounded by exchange rate fluctuations. At the Spanish bank, costs were reduced by 10 per cent, while personnel expenses held level.

Mr Novela confirmed that BCH's planned to raise its stake in the power sector by buying a further 2.5 per cent in the electrical utility Unión Fenosa, increasing its holding to 10 per cent. The additional shares are part of a 7.5 per cent holding in Unión Fenosa which the state-controlled Endesa group plans to sell as part of a reorganisation in the industry.

To back up a wide-ranging industrial co-operation agreement, BCH is also building up its stake in Endesa, from 2.1 per cent now to 3 per cent by year-end.

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September 1996

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JOHNNIES INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)
Reg. No. 01/00429/06
("Johnnic" or "the Company")

RESULTS OF THE CAPITALISATION SHARE AWARD AND RIGHT OF ELECTION TO RECEIVE INSTEAD A FINAL CASH DIVIDEND OF 72 CENTS PER SHARE AND RIGHT OF ELECTION TO SUBSCRIBE FOR NEW SHARES

The right of election to receive a final cash dividend of 72 cents per share instead of the award of capitalisation shares ("the capitalisation award") and the right of election by those shareholders electing the cash dividend to apply the dividend in subscribing for new Johnnic shares ("the subscription") made to ordinary shareholders registered at the close of business on Friday, 13 September 1996 ("the record date"), closed at 14:00 on Friday, 18 October 1996. The weighted average traded price of Johnnic shares on the Johannesburg Stock Exchange ("the JSE") for the three day period ended 17 October 1996 was R53.56. Accordingly, the award of capitalisation shares and the subscription for new shares was determined as a ratio of 1:418969 new shares for each 100 shares held on the record date.

Elections to receive a final cash dividend were made in respect of 85 237 008 shares. Accordingly, final cash dividend No. 141 of 72 cents per share in respect of the year ended 30 June 1996 has been declared on those shares, amounting in total to R61 370 645.76. Elections to apply this dividend in subscribing for new shares in Johnnic were made in respect of 60 804 041 of these shares. An amount of R43 778 909.52 was therefore applied in terms of the subscription. Accordingly, 1 808 792 new fully paid Johnnic ordinary shares of 10 cents each have been allotted in terms of the capitalisation award and the subscription. Following the issue of the subscription and capitalisation shares the issued share capital of Johnnic will consist of 155 764 806 ordinary shares of 10 cents each. Shareholders holding 83.92 per cent of the share capital have been allotted new shares in terms of the subscription and the capitalisation award and shareholders holding 16.08 per cent have elected to receive the final cash dividend.

Listing of new shares
The listing of the 1 808 792 new ordinary shares in Johnnic will commence on the JSE from the start of business on Friday, 25 October 1996.

Posting of share certificates and dividend/fractional entitlement cheques
Share certificates in respect of capitalisation and subscription shares and dividend/fractional entitlement cheques will be posted to shareholders on or about Friday, 25 October 1996.

Johannesburg
25 October 1996

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FINANCIAL TIMES
Financial Publishing

US airlines fall short of expectations

By Richard Tomkins
in New York

Strong growth in passenger numbers and rapidly rising fares should have given US airlines another record quarter in the period to September, but as the last of the big carrier's results came in yesterday, the message was disappointingly mixed.

While many of the carriers managed to increase profits, the growth was not as big as had once been expected, and Continental Airlines, Trans World Airlines and Southwest Airlines saw their profits tumble.

The positive factors in the third quarter were similar to those in other recent quarters. US economic growth has produced rising demand for transport, enabling airlines to fill more seats and charge higher fares.

In addition, a 10 per cent federal excise tax on airline tickets expired on January 1 after the White House and Congress failed to agree a budget, enabling airlines to maintain the same fares and enjoy a windfall by pocketing the tax.

However, a series of negative factors has recently set in. In the middle of the third quarter, the ticket tax was reinstated, so airlines had less of a bonanza than had once seemed possible. And six of the biggest airlines agreed to pay a total of \$87m to US travel agents to settle an antitrust suit brought over the airlines' imposition of caps on commissions earlier this year.

Meanwhile, the biggest negative of all came from soaring fuel prices. UAL, the parent company of United Airlines, said the average price of a gallon of fuel was 24 per cent higher in the latest quarter than a year earlier, driving its fuel bill up by \$103m to \$538m; and other airlines saw increases of a similar order.

In spite of these extra costs, UAL managed to register a big increase in profits. Net income surged 40 per cent to a record \$540m on the back of higher ticket prices and strong traffic, and the company announced a plan to spend \$336m on refurbishing the interiors of its aircraft in the hope of attracting more customers.

UAL also raised eyebrows

by announcing that it was going to tie its executives' compensation to on-time performance instead of its share price.

The company said the move was intended to improve customer service, but cynics said managers could make money simply by padding extra time into the flight schedules.

AMR, parent of American Airlines, warned last month it was facing higher costs because of fuel price increases and protracted pay negotiations with its pilots' union.

However, its figures did not disappoint: higher ticket prices helped it to increase

US airlines: third-quarter results

Airline	Revenue \$m	% change on 1995	Net profit \$m	% change on 1995
UAL	4.5	+9	340	+40
AMR	4.2	+2	282	+23
Delta	3.4	+6	236	+32
Northwest	2.4	+8	248	+15
USAF	2.1	+12	45	+110
Continental	1.7	+10	15	-84
TWA	1.0	+5	14	n/a
Southwest	0.9	+17	61	-10

Note: Profits are net of preferred stock dividends. Source: company reports

July 17. But a bigger factor was probably an over-ambitious expansion plan that backfired when the company found itself with insufficient aircraft to fulfil the published schedule.

Southwest Airlines, arguably the most successful airline in the US, disappointed investors by reporting a 10 per cent fall in net profits to \$61m. Part of the reason was a \$25-a-ticket fare sale in July that jammed the company's switchboards and prevented higher-paying customers from getting through.

The effects of that fare sale spread beyond Southwest itself: they reached Continental Airlines, which saw net profits tumble from \$111m to \$18m after a \$77m after-tax charge for new aircraft.

But USAir, Continental's biggest rival on the east coast, increased net profits by 110 per cent to \$45m even after a \$41.1m pre-tax charge for a profit-sharing plan.

Strong traffic, particularly on international routes, helped. Jet fuel soared to highest in five years, Page 31

Shares in P&G slide 4% as sales slip

By Richard Tomkins

Shares in Procter & Gamble, the US consumer products group, tumbled 3%, or 4 per cent, in early trading yesterday after the company reported that world-wide sales growth had gone into reverse in the fiscal first quarter to September.

The company had warned that the quarter would be a weak one, but investors were apparently unprepared for the 1 per cent fall in sales from \$9.03bn to \$8.9bn, caused partly by shifts in exchange rates.

Net profits rose 8 per cent to \$979m, as did earnings per share, which climbed to \$1.39, slightly above analysts' forecasts. On a fully-diluted basis, earnings per share were 10 per cent ahead at \$1.30.

Procter & Gamble said world-wide volumes were up 1 per cent, and sales would have risen at about the same pace were it not for the weakness of other currencies against the dollar - particularly the German mark and the Japanese yen.

"Although this progress is below recent levels, the company looks to achieve an improved rate of volume and sales growth over the balance of the fiscal year," Procter & Gamble said.

The company suffered tough competition in Japan and difficult economic conditions in Latin America, while in Europe and Asia, it felt the effects of its decision to cut promotional spending in favour of everyday low pricing.

Mr Gordon Pepper, chairman and chief executive, said the expansion of the company's efficient consumer response programme and its key element, value pricing, had created "some short-term business impacts."

Volumes rose 3 per cent in North America and 5 per cent in Europe, Middle East and Africa, but fell 9 per cent in Asia and 6 per cent in Latin America.

Tandem ahead of forecasts in term

Tandem Computers, the US manufacturer of fault-tolerant computers, announced higher than expected fourth-quarter earnings, with income from continuing operations at \$40m, or 34 cents a share, compared with \$38m, or 32 cents, in the same period last year. Revenues from continuing operations were \$543m, compared with \$547m.

Excluded were results for UB Networks, a Tandem subsidiary, which the company previously announced it planned to divest. Over the past year the company has restructured its operations into business units and set a new product strategy that involves moving its proprietary software to the Microsoft Windows NT operating system.

Annual revenues from continuing operations were \$1.9bn for fiscal 1996, against \$1.82bn in 1995. The company reported a loss for the year on continuing operations of \$5m, or 4 cents a share, including a second quarter pre-tax restructuring charge of \$52m. This compares with fiscal 1995 income of \$96m, or 82 cents a share.

Fourth-quarter sales were strong, particularly in Europe. This is in contrast with the results of many US computer companies that have reported weaker sales in Europe over the same period. Louise Kehoe, San Francisco

Goldman Sachs in \$60m buy

Goldman Sachs is paying about \$60m to acquire Liberty Investment Management, a Florida-based company with \$5.4bn in assets under management. The US investment bank's latest move to expand its fund management business follows the purchase of CIN Management in the UK in August.

After the Liberty transaction is completed, Goldman Sachs Asset Management will manage funds totalling about \$92bn globally. Liberty will initially keep its name, but its products will eventually be sold under the Goldman Sachs name, according to sources close to the transaction. Tracy Corrigan, New York

Imasco turns in 8% rise

Imasco, the financial services, tobacco and retailing group, 42 per cent held by BAT Industries, of the UK, posted an 8 per cent gain in third-quarter profit to C\$168m (US\$124m), or 71 cents a share, from C\$154m, or 68 cents, a year earlier, on revenues of C\$2.4bn, against C\$2.2bn. Financial services gained 34 per cent at the operating level, retailing 31 per cent, and tobacco 8 per cent, while the US fast food unit broke even. Nine months overall earnings were up 10 per cent to C\$437m on revenues of C\$6.9bn, up 8 per cent. Robert Gibbons, Montreal

Falling copper price hits Asarco

Asarco, the US mining group, saw third-quarter earnings drop to \$6m, from \$58.3m a year earlier. It said the decline in the copper price over the past year is estimated to have reduced the company's net earnings by about \$67m in the quarter. Improvements in operations and price increases of other metals Asarco produces offset a portion of this decline.

However, Mr Richard de J. Osborne, chairman, said: "The fundamentals of the copper market are good and getting better. Production from new mines is being absorbed by rising consumption and inventories in commodity exchange warehouses are declining rapidly." Reuter, New York

Placer Dome shows 33% decline in third quarter

By Bernard Simon
in Toronto

Placer Dome, the Vancouver-based mining group, posted a 33 per cent drop in third-quarter earnings, although the latest period marked a significant improvement from earlier this year.

"We had a terrible first half, but we've turned the corner," the company said yesterday.

Net earnings fell to US\$16m, or 7 cents a share, in the three months to Sept 30, from \$24m, or 10 cents, a year earlier. Sales rose from \$264m to \$263m.

Placer shares slipped 15 cents to C\$9.15 in Toronto in early trading yesterday.

The earnings decline was partly due to lower commodity prices. Investment income halved to \$10m.

Earnings from gold operations dipped slightly from \$77m to \$74m, but they were a marked improvement on the \$41m and \$47m in the first and second quarters, respectively.

Placer's share of gold output from mines in North and South America, Australia and Papua New Guinea fell from 535,000 ounces to 503,000 ounces.

Cash production costs averaged \$210 an ounce, up from \$201 a year earlier but below the \$246 in the first half of 1996.

Placer estimates gold output for 1996 at 1.85m ounces, with average production costs of \$235, or about a quarter higher than 1995.

The disappointing cost performance is centred on Placer's Australian and Papua New Guinea

operations, reflecting stronger local currencies against the US dollar, higher spending on reclamation and maintenance, and consumable inventory costs.

Costs at the Granny Smith mine in Australia will be hit by mining a higher-cost ore body.

The new 50 per cent-owned Zaldívar copper mine in Chile is due to reach full production of 125,000 tonnes in 1997. Placer's share of output in the first nine months of this year was 27,500 tonnes, or about 14 per cent below budget, because of various production problems.

Placer said it expected to complete feasibility studies at the Milos property in Mexico and the 83 per cent-owned Mt Rawdon deposit in Australia by the end of the year.

Hollinger plans to lift Southam stake

By Bernard Simon

Hollinger International, the publishing group controlled by Mr Conrad Black, plans to gain outright control of Southam, Canada's biggest newspaper chain, by raising its stake from 41 per cent to at least 50.1 per cent.

Hollinger yesterday outlined an offer to buy 7m Southam shares at C\$18.75 each. It will reserve the right to take up more shares if they are tendered. The offer is expected to be mailed on October 4.

The offer price is the same, adjusted for financing costs, as Hollinger paid earlier this year for the 21 per cent stake in Southam held by Power Corporation. Hollinger previously owned about 20 per cent of Southam. Southam shares were

trading at C\$18.50 in Toronto prior to yesterday's announcement.

Southam publishes 20 dailies, including the flagship papers in Calgary, Vancouver, Ottawa and the Montreal Gazette, Montreal's only English-language daily.

Mr Black's steadily rising stake has generated considerable controversy in some quarters, as it has coincided with Hollinger's acquisition of several dozen papers from other proprietors.

Hollinger International, based in Chicago, is 67.5 per cent owned by Hollinger Inc, Mr Black's main holding company. Hollinger also owns the UK Telegraph group, which has a 24 per cent stake in Australia's John Fairfax, and several hundred US papers, including the Chicago Sun-Times.

How to play Russian roulette

Robert Corzine and Jane Martinson on oil and gas investment

Elephants and minnows seem to be the choice for investors who want to take part in any revival of Russia's energy sector.

At the top end of the size spectrum is Gazprom, Russia's largest company and the world's biggest natural gas producer; at the other end there is no shortage of smaller western oil companies which concentrate on the Russian energy sector.

While their size varies widely, recent political events have underlined the attendant risks to all such investments.

So, how do investors interested in the sector decide on the relative merits of the companies involved?

Analysts point to several advantages in investing directly in the international offerings of Russian oil and gas companies. Gazprom's share offer of about 1 per cent to foreign investors was oversubscribed and valued the group at about \$37bn.

They predict that Gazprom's international offering should trade easily over the counter and point to the rigid registration procedures to stop lower-priced domestic shares seeping into the higher-priced international offering.

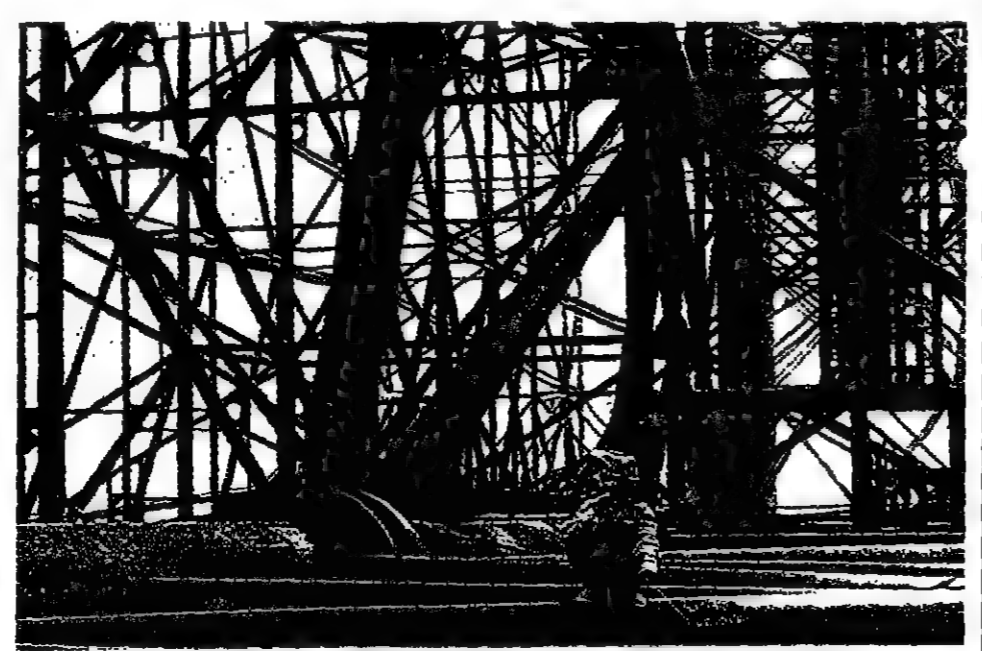
However, political volatility is not the only potential drawback to direct investments. Foreign investors, unable to build large stakes, will have little influence on Russian management.

And, although financial information standards in the top tier of Russian energy companies have improved markedly, analysts say there are still "huge information holes" that are unlikely to be filled for years.

This information gap provides western-based and listed companies with one of their main selling points.

Mr Tom Cross, chief executive of Dana Petroleum, the London-listed independent which has co-operative deals with Lukoil and with Yukos, another large Russian oil company, said: "You get the same exposure to the upside and you know what is going on."

Even so, investing in small western oil companies involved in Russia has been described as a cross between the lottery and gold digging.



A cross between the lottery and digging gold: investing in Russia is not without risk

One analyst confessed to having used his own money to invest in JKC, the independent with operations in Ukraine, because he "liked the story."

Such investments were "essentially a bit of a punt based on get-rich-quick ideas," he said.

"You have a one-in-five chance of making a lot of money and a four-in-five chance of making nothing at all. It's no more scientific than that."

"At the end of the day institutions, a collection of individuals, like to dabble a little bit."

The uncertainty is increased by the difficulty of using normal valuation measures.

Most analysts use deeply discounted cash flow models to arrive at an approximate value. These take the value of potential oil revenues at some future date as a starting point.

But then they employ widely varying discount factors to account for the commercial, legal and political risks to arrive at a "true" present value.

Mr Stephen O'Sullivan, an associate director at MC Securities, the investment banking boutique, says these "incredibly high-risk rates" can make the companies look cheap per barrel of oil.

It can also be frustrating for the western companies.

Dana, for example, says it makes \$3 a barrel on its Russian production after operating costs. But its share price reflects a profit of only \$1 a barrel.

Most analysts and investors stress the importance of management when it comes to choosing an investment.

Ms Caroline Watson, fund manager at Thornton Investment Management, which has a 4 per cent stake in Dana, says faith is essential in a sector which is "difficult to value".

Mr O'Sullivan says: "There are two ways to do it. There are the intangible factors that you have to feel comfortable with at the same time as looking at barrels of oil in the ground and cash flows."

As well as management faith, these intangibles include oil reserve estimates and the integrity of the Russian partner.

Estimates are fundamental to confidence. Investors feel uneasy when a management is felt to be "over-egging what they have", according to Mr O'Sullivan.

The quality of the local partner in Russia is also important. It can determine the strength of a western company's position as well as its access to infrastructure and potential markets.

Stories abound of the vast

personal wealth accumulated by top managers of Russian oil giants. But western executives who deal with Russian companies contend that most personal enrichment took place when the Russian companies were established.

Many Russian executives are now more concerned with building international businesses on the western model, they say.

Dublin-based Bula Resources found itself in litigation this year with its former Russian partner. The dispute concerned the right of the Russian Transcontinental Financial-Industrial Corporation, the partner, to a 51 per cent stake in Akt-Otyr, a joint stock company with a licence to produce oil in Siberia.

In June, Bula agreed to pay the Russian Corporation \$21m for its disputed share of Akt-Otyr. In return, the Russian Corporation agreed to sell its Bula shareholding, the proceeds of which will go to the company.

With the inherent riskiness of such oil investments, recent political traumas simply form part of the equation.

Mr Douglas Helsel, analyst at Foreign and Colonial, says: "Everyone accepts Russia is a very risky market. If they are in it, it's because they think the potential returns justify the risks."

This announcement appears as a matter of record only.

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Multicurrency Debt Issuance Programme

Standard & Poor's	Long Term debt rating	Short Term debt rating
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ABN AMRO Hoare Govett has acted as rating advisor to
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October, 1996

ABN-AMRO
HOARE GOVETT

Sharp held back by semiconductor weakness

By Michio Nakamoto in Tokyo

Sharp, one of Japan's leading electronics makers, reported a modest increase in profits in the first half amid a mixed trading environment for its main products.

The company's results were hit by the marked drop in semiconductor prices over the past year or so.

On the other hand, Sharp enjoyed buoyant demand for new electronic products, such as digital video cameras and personal handycams, in its home market.

Non-consolidated recurring profits rose 3 per cent to ¥36.1bn (\$319.4m), in line with expectations, on sales 5 per cent up at ¥667.5bn. Net profits increased 6 per cent to ¥20.9bn.

The biggest setback in Sharp's first-half performance was the plunge in semiconductor prices, which has forced the company to revise its profits forecast for the full year. Sharp said semiconductor sales in the full year would be ¥260bn rather than the initially forecast ¥283bn.

The company expects semiconductor prices to fall a further 10 per cent in the second half. As a result, it expects overall recurring profits in the year to March of ¥74bn rather than ¥77bn as previously forecast. Net profits will be ¥41bn rather than ¥42.5bn. The forecast for sales in the full year is unchanged at ¥1,360bn.

Liquid crystal display panels, for which Sharp has been an industry leader, also suffered from a decline in prices.

Sharp reported firm demand for

new products, such as its personal handycams - a lighter, cheaper and lower-capacity mobile phone - MiniDiscs and digital video cameras.

While personal handycams had been extremely popular, particularly among young Japanese women, MiniDiscs had started to find wider appeal among a young audience on the strength of lower prices and a greater availability of MD software, Sharp said.

Meanwhile, sales of digital ViewCam video cameras have expanded

to make up 80 per cent of the company's ViewCam sales, eclipsing sales of analog versions. Firm demand for these products lifted sales in the audio and communications equipment division by 20 per cent.

Elsewhere, the popularity of Sharp's notebook personal computers, launched just under a year ago, and its new personal digital assistant, the Zaurus, supported an 18 per cent increase in sales in its information equipment division.

ASIA-PACIFIC NEWS DIGEST

Solid profits rise at Hitachi Maxell

Hitachi Maxell, the world's leading producer of audio tapes, yesterday reported a sharp increase in interim profits and unveiled plans to triple battery production for export.

Unconsolidated recurring profit - before tax and recurring items - rose 59.6 per cent to ¥3.8bn (\$39.2m), on sales up 14.4 per cent to ¥97.4bn. Sales of floppy disks rose 23 per cent, in line with world growth in sales of personal computers. Sales of audio equipment and video tapes rose 9 per cent while net profits climbed 22.7 per cent to ¥2.4bn.

The group defied the recent trend among Japanese manufacturers towards increasing overseas production, by announcing that it would invest ¥1.5bn by next March in a new plant in Ibaragi, central Japan, to increase production of rechargeable batteries from 1.5m to 4.5m units a month. Most of that production will go to Europe and south-east Asia, where demand for cheap batteries is increasing, said Maxell. Its decision illustrates how the decline in the yen's value over the past 15 months has restored many exporters' profitability.

William Douglas, Tokyo

Retirement costs hit Pioneer

Pioneer Electronic yesterday announced an estimated extraordinary first-half loss of ¥10bn (\$88.5m), on larger-than-expected payouts under a new early retirement scheme. It said the loss would have only a limited impact on its after-tax balance estimate.

In May, Pioneer forecast a six-month recurring loss of ¥11.7bn, up from ¥7.3bn a year earlier. It now expects to show a recurring loss of ¥1bn-¥2bn more than originally forecast.

The loss is because of the unexpected number of employees who applied for early retirement under an incentive-based scheme, implemented as part of the company's restructuring. The company targeted 650 employees for early retirement but about 1,000 applied.

Green Robinson, Tokyo

Bank Negara shares priced

Shares in Bank Negara Indonesia, the Indonesian state-owned bank due to be listed on the stock market on November 29, have been priced at Rp850 each, putting the bank on a price/earnings ratio of about 8.7 for this year.

The share price values BNI at Rp8,689bn (\$1.6bn). The foreign tranche of the shares was reported to be 10 times oversubscribed. BNI plans to float 25 per cent of its enlarged share capital, or 1.085bn shares.

Manuel Saragosa, Jakarta

Tyndall Australia expands

Tyndall Australia, the financial services business controlled by Sir Ron Brierley's Guinness Peat group, yesterday announced it was buying Oceanic Capital, another Australian life insurance and fund management group, for A\$40m (US\$31.8m). Consideration will be a mixture of cash and medium-term convertible securities.

Earlier this year, the listed Australian group indicated it would look at further acquisitions after completing a rights issue. Tyndall said that Oceanic operated in similar market sectors to itself - notably risk insurance - and that the deal would fit funds under management to around A\$8.5bn.

Nicki Tait, Sydney

Gold hedge gain lifts Newcrest to A\$154m

By Nikki Tait in Sydney

A A\$225.6m (US\$179.3m) abnormal gain on the liquidation of gold-hedging positions helped Newcrest Mining, the Australian gold mining group, to a first-quarter profit of A\$154m, against A\$6.1m last year.

Profits before tax and abnormal gains rose from A\$11.1m to A\$13.3m. Revenues were A\$89.8m, against A\$89.1m, with equity gold production standing at 134,236 ounces, slightly down on last time's 151,094oz.

The abnormal item included a A\$270m profit on closing most of its gold-hedging positions. Newcrest announced the liquidation of contracts covering about 2m oz of gold in August. This profit was then offset, by A\$47.6m, with "balance sheet adjustments", and augmented by a A\$3.2m profit on the sale of a mine.

The gold-hedging liquidation was seen largely as a response to Newcrest's ill-fated foray into the merger plans of Normandy Mining, the Australian gold mining group. Newcrest bought stakes in Normandy and one of the related merger companies for A\$450m. However, its efforts to join the merger were rebuffed, and its Normandy shares were left showing a large loss.

Petronas takes in global panorama

Malaysian oil group is pushing further afield

When the senior executives of Petronas move into the top stories of the world's tallest office blocks some time next year, they will inhabit a symbol of the company's ambition. The 88-storey Petronas twin towers, due for completion in a few months, will be a fitting home for a company with expanding horizons.

Petronas is Malaysia's corporate flagship, the country's biggest taxpayer, and one of its most profitable companies. It is also quickly lifting its profile overseas: the Petronas name is now emblazoned on the cars of a Formula One racing team after a deal earlier this year. This month the company successfully launched a US\$1.9bn bond issue in Europe - the second-largest corporate issue of its type.

Such moves are related to the company's overriding concern: expansion into global markets. Mr Hassan Marican, Petronas president and chief executive officer, has said the company aims to derive about 30 per cent of its income from overseas operations by 2005. Analysts suggest less than 5 per cent of group revenues of M\$22.25bn (US\$8.9bn) in the year to March 31 came from foreign operations.

The reason for its concerted push abroad is simple: Malaysia's recoverable reserves of crude oil will last only 18 years at the current production level of 630,000 barrels a day,

according to Mr Hassan.

The company has tended to target regions where the government has good - or at least neutral - relations with Malaysia and where competition from the big groups is not too fierce.

The clearest example of this strategy is in Indonesia, focus of the company's most comprehensive overseas investment. When Vietnam opened its economy to foreign investment, Malaysia quickly reinforced political and commercial ties. It became involved in the co-ordination of master plans for the country's petrochemical and gas industries.

The company owns and operates two offshore exploration blocks near Vung Tau, southern Vietnam, and has recently made considerable commercial discoveries in them. It began oil production from another field, Dai Hung, in which it has a 20 per cent stake, in October 1994. In March this year, it signed to take a 30 per cent stake in an oil refinery in Dung Quat, central Vietnam, which is expected to have a capacity of 130,000 barrels a day. It also has a 49 per cent stake in a liquefied petroleum gas terminal and bottling plant with capacity of 20,000 tonnes a year.

Industry sources say that on September 17, Petronas signed a letter of intent to take a 40 per cent stake in a polyvinyl chloride venture in Vung Tau. The stake, expected to be finalised soon, will add a key downstream link

in the company's Vietnam operations.

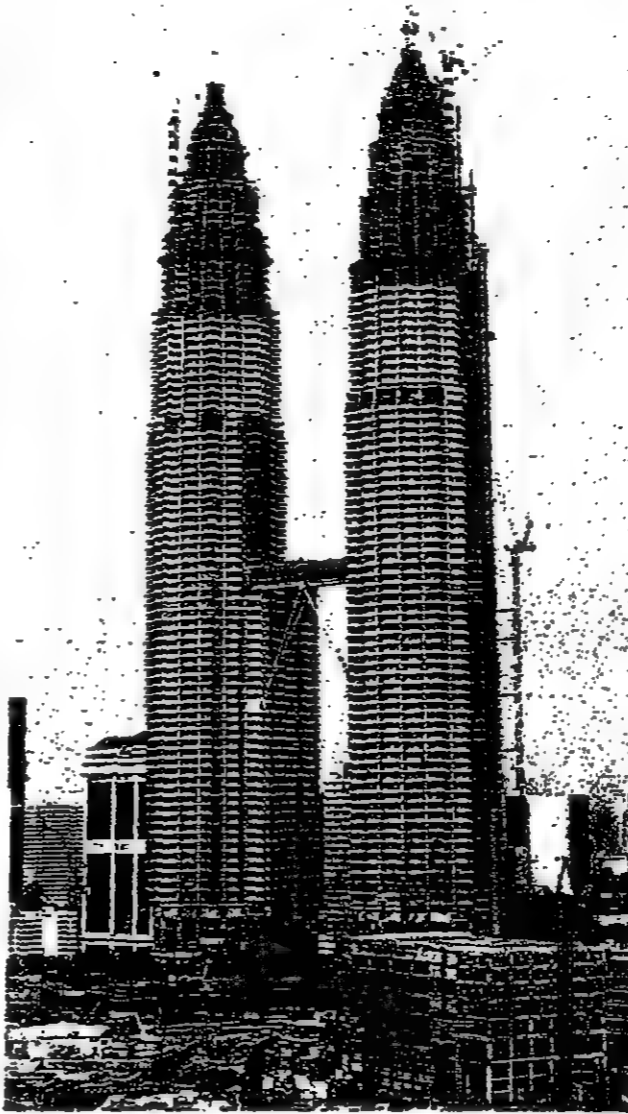
Petronas is pursuing opportunities in other parts of Indochina, where the trade and investment climate should become easier once Cambodia and Laos join the Association of South East Asian Nations (Asean) next year, and Burma joins some time before 2000. For the moment, though, it is confined to building on a small chain of petrol stations in Cambodia.

In South Africa, as in Vietnam, the company's investments were fostered by warm political ties. Earlier this year it acquired a 30 per cent interest in Eogen, South Africa's biggest oil retailer, for about US\$36m.

Other international operations do not so far adhere to the pattern of "specific geographies". The exploration subsidiary, Petronas Carigali, signed the first production-sharing contract between Turkmenistan and a foreign oil company in July this year. The deal is expected to yield its first output in about two years.

Another controversial project is Petronas' 30 per cent stake in two oilfields in Iran, taken in spite of the threat of US sanctions. Its involvement in Iran makes commercial sense on at least one level: its new refining facilities in South Africa are suitable for Iranian but not Malaysian crude, analysts say.

James Kynge



View of the world: the Petronas towers in Kuala Lumpur

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Keppel Corporation Ltd

Kim Eng Holdings Ltd

Mandarin Oriental International Ltd

NatSteel Ltd

Neptune Orient Lines Ltd

Oversea-Chinese Banking Corporation Ltd (Foreign)

Overseas Union Bank Ltd (Foreign)

Pacific Carriers Ltd

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COMPANIES AND FINANCE: UK

Virgin Express in accord for Sabena flights

By Ross Tienan in London and David Owen in Paris

Virgin Express, Mr Richard Branson's cut-price European airline, has reached an outline agreement to take over loss-making flights operated by Sabena, the Belgian airline, between Brussels and London.

Under the accord, Virgin is expected to reserve some seats for Sabena passengers

and sell the rest through a telephone booking system for as little as £50 (£78) return.

The deal will give Virgin Express access to scarce take-off and landing slots at Heathrow Airport, the busiest in Europe. It will also enable it to offer connections via Brussels between London and seven continental European cities - Copenhagen, Vienna, Rome, Milan,

Nice, Barcelona and Madrid - served by Virgin Express.

The accord is understood to pose no threat to the arrangement whereby Virgin Atlantic, the inter-continental airline, uses British Midland for feeder services to its long-haul flights. But it will help Sabena make cost savings demanded by Swissair, which has a 49 per cent stake.

Virgin Express is expected

to begin nine daily services each way on the Sabena routes using its own Boeing 737-400 aircraft before the end of November.

The deal makes it more likely that Virgin Express will concentrate on developing services into France from Brussels, rather than acquire a French airline.

It is understood that Virgin Express has been approached to make a con-

sortium bid for Air Liberté, the troubled French carrier subject to a joint takeover offer by British Airways and Groupe Rivaud, the French bank.

Adding Air Liberté to TAT, its existing French airline, would give BA about 20 per cent of the French domestic market.

Administrators to Air Liberté are expected to meet today to consider the FRF30m (\$118.6m) BA/Ri-

vaud offer. But Virgin executives appear to believe BA is offering a very full price for a carrier suffering heavy losses.

Separately, Nouvelles Frontières, the travel group which this week withdrew from bidding for Air Liberté, confirmed it was interested in AOM, another French domestic airline owned by Crédit Lyonnais, the troubled state-owned bank.

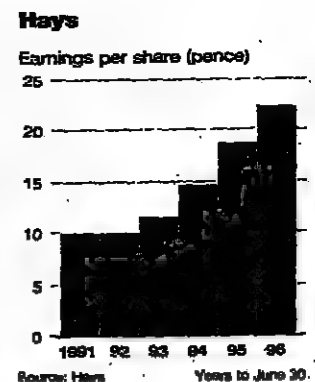
LEX COMMENT

Executive pay

The principle of very large rewards for exceptional performance and penalties for poor performance is absolutely correct. For that reason alone, Hays' new long-term bonus plan looks like a good idea. If all goes swimmingly, the group's managers can multiply their money by a factor of 24 over five years. But they also risk losing their entire initial outlay. And while they must put cash from their own taxed income into the scheme, they will be rewarded with Hays shares. In many long-term incentive plans participants contribute part of a pre-tax bonus not yet received - which is much less painful. In the quest to align the interests of management and shareholders this scheme goes further than most.

There are, however, two niggles. First, the new bonus plan does not replace other parts of the executives' remuneration package. It is merely another layer of the cake. Participants will continue to draw the same salaries and be eligible for annual cash bonuses as well as the group's two share option schemes. A cut in basic salary in return for being granted such a highly geared incentive plan would seem fairer.

Second, while the scheme's performance hurdles are demanding, it is questionable whether growth in earnings per share is the right measure, since it is relatively easy to manipulate. Basing the performance targets on a blend of earnings growth and total return to shareholders might be a better solution.



Emap calls for EGM on directors

By William Lewis and Christopher Price

Emap, the media and exhibitions group yesterday called an extraordinary meeting to seek to oust two of its non-executive directors who had earlier called for Sir John Hoskyns, chairman, to resign.

The meeting is likely to be at the beginning of December, and is likely to be preceded by rival campaigns for shareholder support.

The announcement last night followed a two-day meeting of all 13 directors at Melton Mowbray, Leicestershire, at which Professor Ken Simmonds and Mr Joe Cooke, the two non-executive directors, called on Sir John to resign and alleged he had misled shareholders and directors over new rules for selecting directors.

Over two days of tense negotiations Mr David Arnold, group managing director, moved between the two camps of directors, based in different rooms, attempting to act as a peacemaker.

However several proposals were rejected by both sides. Sir John's side dismissed a proposal that he, Mr Robin Miller, chief executive, and the two dissident non-executives resign simultaneously. Mr Richard Wintrey, deputy chairman, would have taken over as chairman. Another suggestion was that the two rebels resign at next year's annual meeting, but they rejected this.

Professor Simmonds said he had suggested that both he and Sir John step down, but this was thrown out by the board.

At the company's annual meeting in July shareholders approved a change to Emap's articles of association which enabled directors to be ousted with the approval of 75 per cent of the board.

The company also scrapped the rule that it had to have at least five non-executive directors.

Twosome's share of success

George Graham profiles ICV's chairman and chief executive

Yesterday's £85m (\$101m) sale of ICV to the US database group Primark leaves the twosome which has turned the company into the leading supplier of share prices and news in the UK with a sizeable profit.

ICV's principal shareholder is a trust for the benefit of Mr Christopher Sharples, its chairman, and his family. That 54 per cent stake is now worth £25m.

The 17 per cent stake held by Mr David Taylor, chief executive, will fetch £11m, and other senior managers will be between them own shares worth £7m.

It is Mr Sharples who, as chairman first of the Association of Futures Brokers and Dealers and then of the Securities and Futures Authority, has had the higher profile.

The son of two Conservative politicians - his father, Sir Richard Sharples, was assassinated in 1973 while serving as governor of Bermuda, and his mother, Baroness Sharples, sits in the House of Lords - he started

his career with the Czarnikow sugar broking house.

In 1972 he co-founded InterCommodities, a specialist derivatives trader now called GNI and owned by Gerrard & National.

Mr Sharples hired Mr Taylor in 1980 as his marketing manager, when the then 23-year-old IBM graduate trainee tried to sell him an expensive typewriter.

ICV was born out of InterCommodities in 1981 and soon became the first company to put commodity prices on screen. In the early 1980s it became a bible to UK potato farmers through the potato futures prices it published through Prestel Citiservice, the television-based information system.

CitiService was sold to British Telecom in 1990, and ICV took a step forward in 1993 when the London Stock Exchange outsourced its Topic share information service to ICV and Telekurs of Switzerland. ICV bought out Telekurs last year.

The Topic contract put ICV into competition with Reuters. A new contract with the



Staying: Christopher Sharples (left), and David Taylor

Stock Exchange this year to provide software supporting the exchange's new electronic trading system has pushed ICV further into confrontation with Reuters that can only be accentuated by the new link with Dow Jones, Reuters' arch rival in the news service market.

Although Mr Sharples remains the main shareholder Mr Taylor is generally given credit as the driving force behind ICV's development.

Under the terms of yesterday's deal they will remain as chairman and chief executive respectively of ICV, and will take on the same roles at Datastream, Primark's UK-based securities data business.

ICI sees upturn in chemicals

By Ross Tienan

Imperial Chemical Industries yesterday showed third quarter pre-tax profits down 47 per cent to £181m (\$204m) - and claimed to detect the first signs of an upturn in the chemicals cycle.

Mr Alan Spall, finance director, said the company had experienced volume gains in all its businesses during the latest quarter, although prices remain

weak. In the industrial chemicals division - chief victim of the cyclical downturn - "We have had volume increases in mainland Europe for the first time in six quarters," he said.

The glimmer of recovery comes after a bruising first nine months of the year. Despite £90m of savings from a cost cutting programme, involving the loss of 2,500 jobs, group pre-tax profits fell 48.8 per cent to £286m. The figure

was struck after exceptional charges of £118m for restructuring.

In the latest quarter industrial chemicals managed only to break even on sales of £84m. During the same months of 1995, they made trading profits of £124m from turnover of £1bn.

Shares in ICI rose 17p to 792½p. Mr David Ingles, of HSBC James Capel, said "they were pretty poor numbers, but there were no nasty surprises."

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends (p)	Corresponding dividend	Total for year	Total for year
Basic	3 mths to June 30	9,09	(0.021)	2.28	(0.185)	18.29	(0.11)	-	-
Basic incl £6	3 mths to June 30	14	0.048	0.037	0.05	0.04	-	-	-
21	3 mths to June 30	7,985	(7.70)	385	(740)	29.1	(61.5)	-	30
21	3 mths to June 30	11	(0.056)	0.033	(0.276)	1.1	(17.1)	-	-
Investment Trusts	NAV (p)	Attributable earnings (p)	EPS (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total for year	
Albion New Trust	8 mths to Aug 31	188.11	(181.84)	0.472	(0.35)	2.97	(2.3)	-	2.5
Brit & American	25 mths to June 30	114	122	0.553	(0.089)	2.23	(2.78)	1	1.84
Greenshield House	6 mths to June 30	17.4	(7.4)	0.091	(1.17)	2.1	(28.1)	-	nil
Schroders Vent Int	49 mths to May 28	183.6	(-)	0.008	(-)	0.44	(-)	-	nil
Southdown Mortgage	6 mths to Sept 30	322.0	(309.8)	14.7	(12.3)	4.08	(3.42)	1.05	4.65

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. On increased capital. SUS stock. SUS currency. Irish currency. *Comparatives restated. *Included 0.85p special. *At March 31.

Pressing the case for cider

Alcopops are for the young and are down-market, says Mr John Rudgard, chief executive of HP Bulmer, whereas the cider consumer is becoming older and more upmarket.

"Alcopops are fashion driven, so people will tire of them," argues the head of the UK's leading cider maker, pointing out that sales of alcoholic lemonades and similar drinks have started to decline in Australia, where they were pioneered.

His argument directly contradicts Matthew Clark, Bulmer's main cider rival, which last month issued a profits warning and laid the blame fair and square on the incursions of alcopops into its premium cider market.

Independent research carried out for Bulmer shows that 60 per cent of alcopops drinkers have switched from drinking lager - either canned, bottled or draught. Only 15 per cent have turned to alcopops from cider.

Mr Rudgard also argues that while alcopops have proved a roaring success, the size of the market should be kept in perspective. Total UK alcopop sales are estimated at about 614,000 hectolitres a year, compared with 1m hectolitres of Strongbow, Bulmer's leading branded cider.

He is almost messianic in his belief in the future of cider, and is not afraid to stick his neck out. In 1998 he doubled the advertising budget at Bulmer when cider volumes in the UK were falling.

Earnings immediately tumbled. "I got bought out of 10 for business acumen and 10 out of 10 for courage,"

Bulmer's chief executive tells David Blackwell why he's not worried about alcopops



Not a fashion victim: John Rudgard argues that alcopops are a fad the young will soon tire of

he chuckles. However, the strategy reversed the decline in cider's fortunes in the UK drinks market, and earnings soon recovered.

Sales have spread further across the UK from the Hereford and west country base and the group now sells more cider north than south of a line from the Wirral to the Wash.

Bulmer has not turned its back entirely on alcopops, bottling Bass's Hooper's Floc at its Belgian plant and distributing Two Dogs in Australia.

But these are opportunistic operations - the group has disposed of all peripheral businesses such as pectin and fruit juice over the past few years in order to focus firmly on cider.

Group research shows that cider drinking is steadily increasing in popularity. In 1992 only 16.2 per cent of adults said that they drank cider occasionally, but a similar survey this year shows the figure had risen to 22.5 per cent.

It estimates the UK market will show underlying growth of 5 per cent this

year to just over 5.23m hectolitres.

If this rate of growth continues, the market will touch 6.82m hectolitres by the end of 2000.

Bulmer has steadily increased its share of the UK market to just over half, and is now looking overseas for further growth. It has started to experiment with Strongbow draught at 150 bars in Belgium, a further 150 in Italy and 200 in the US.

Early results are encouraging, according to Mr Rudgard, who, in spite of his convictions about cider's growth prospects, is making haste slowly. "We do not want cider to be fashion driven internationally," he argues. "We have a 25-year perspective."

His ambition is to capture 0.5 per cent of the developed world's beer market.

"In the developed world youngsters are doing the same things on Friday and Saturday nights," he says.

"If we can get cider accepted in venue bars the only questions are how many venue bars are there around the world and how do you get there?"

While he denies attempting to do for cider what Guinness did for stout, he does argue that Strongbow "has all the characteristics of an international brand" and that he has a strong home market base on which to build.

And 0.5 per cent of the beer market does not look too ambitious, he maintains, when UK cider consumption is equal to about 6 per cent of the UK beer market.

Nasdaq listing for Eidos

By Justin Marozzi

Eidos, the computer games software group, yesterday announced plans for a public offering of up to 7m shares on Nasdaq to raise up to \$70m.

The shares closed unchanged at 792½p.

The move's final details have yet to be finalised. "We still need to go on a roadshow for the US institutions and their interest will to some extent determine the pricing," said Mr Charles Cornwall, chief executive.

A Nasdaq listing would allow the group access to the market on a "more favourable status" and attract new US investors.

"We're one of the few quoted developer-publishers on the main market in the UK and it is very difficult for investors to look at comparables."

Eidos will use the proceeds to invest in new products and "development companies with proven track records".

The group also announced a 25 per cent acquisition of Interloop Technologies, the Norwegian computer games developer, for \$875,000.

Mr Cornwall said that in the past the industry had made the "great mistake" of buying developer houses and then seeing key people leave. Acquiring partial stakes would help create "a relationship with long-term benefits to both publisher and developer".

The offering of shares in the form of ADSs - represented by ADRs to US and UK investors - will improve the group's

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£40 million equity arranged by

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£40 million mezzanine arranged and underwritten by

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China seeks to quell fears on grain needs

By Sophie Roell in Beijing

China yesterday said it could maintain basic self-sufficiency in grain, dismissing international fears that the country will be heavily dependent on imports next century to feed its growing population.

A policy paper sought to contradict warnings raised about China's grain needs - most notably by Mr Lester Brown, of the Worldwatch environmental research group. It said there was "no basis to the international clamour about a 'China threat' in food supply".

China's statistical bureau this week issued the most optimistic forecast yet for the 1996 grain harvest. It predicted "record" output of 480m tonnes - up 15m tonnes from 1995.

Estimating China's grain needs for the next century, the paper said demand would rise to 550m tonnes by 2010, and 640m tonnes by 2030. It said imports would be required to cover less than 5 per cent of the increased demand.

The paper cited a number of reasons why domestic output could be raised further - including low yields per hectare of arable land, and unnecessary losses before crops reached end-users.

In Beijing, diplomats were cautious about China's prospects of meeting its goal of self-sufficiency. But one observer said he was "encouraged" by the attention the government was now devoting to development of agriculture.

He said there had been a shift in resources to the agricultural sector and the policy paper says investment in agriculture will be stepped up further.

The European Union yesterday nearly doubled subsidies for wheat exports, to keep pace with falling world markets, Reuter reports from Paris.

Grain exporters said the EU had awarded wheat export subsidies of up to £13.1 a tonne for 290,000 tonnes of wheat, reaching double figures for the first time this season and raising market competition another notch. The subsidy is higher than the £12.1 a tonne of aid the EU offered for Africa's poorest states just a week ago.

China is also trying to channel more foreign funds into the sector. "The scale of foreign investment for agriculture should be expanded, and preferential treatment provided for such investment, especially in grain production," the paper said.

This year the government also raised the official procurement price for grains by 20 per cent.

Although this now affects only about 10 per cent of farmers' output, it was an important signal of the government's intention to boost incentives for farmers.

One analyst said the biggest contribution China could make to the world grain market was greater openness about its grain balance.

He said he was disappointed that after being able to export 8m tonnes of corn in 1994, it had to import 5m tonnes in 1995.

China had been unwilling to give any indication of its 1996 needs to other producing countries. Western traders officials were told by Chinese authorities that the forecast demand for 1996 was a state secret.

Vietnam increases rice export quota

By Jeremy Grant in Ho Chi Minh City

Vietnam's trade ministry has raised this year's rice export quota from 2.5m tonnes to 3m tonnes, in an apparent attempt to increase revenues from agricultural exports and stem a ballooning trade deficit.

Traders said that the move was likely to depress already low Vietnamese rice prices.

"It's not a very buoyant market," said one foreign commodities analyst based in Ho Chi Minh City. "By telling everyone they've got more rice out there, they're just going to push the price down."

However, recent severe flooding in the Mekong delta, Vietnam's main producing area, was causing delivery delays and patchy price rises locally, traders said.

Five per cent broken rice was quoted at between \$275 and \$280 a tonne free on board at Saigon port, with 10 per cent grade around \$10 a tonne lower. A week ago, 5 per cent broken was trading at about \$270 a tonne.

Vietnam last year sold about 2m tonnes of rice abroad, making it the fourth-largest exporter in the world, after the US, India and Thailand.

Hanoi's move came as a Washington-based think-tank said the communist-

Production boost: improving rice yields



Better yields and economic progress will boost rice production, according to the Asia rice conference in Singapore, which was held yesterday. Suzanne Kelly writes.

India's rice production may rise by 21 per cent in five to seven years, from the current 81m tonnes, according to a report from the Asia rice conference in Singapore, which was held yesterday. Suzanne Kelly writes.

"Scope exists for increasing India's rice production to about 98m tonnes," it said. Output could be raised by maximising yields through better hybrid seeds or more intensive irrigation, it added. Rising population and income levels will boost domestic demand by 3 per cent annually, and rice consumption in India may rise to between 90m and 95m tonnes in five to seven years and to 110m tonnes in 10 to 12 years.

preventing them from doing so," said Mr Francesco Goletti, research fellow at the International Food Policy Research Institute.

Vietnam restricts access to exports through a licensing system to which about 15 state-owned companies have

access. Private trading is therefore restricted. The domestic price is lower than the international, a differential which state companies exploit, in effect imposing a tax on the industry.

Reform of rice export policy strikes at the heart of Vietnam's growth prospects, as agriculture is the backbone of its economy. It offers one of the best prospects for export growth, needed to plug a trade deficit that reached \$8.25bn in the first nine months of the year.

More red faces over Kazakh gold deal

By Kenneth Gooding, Mining Correspondent

The Kazakhstan government's embarrassment about Vasilkovskoye, one of the world's biggest gold deposits, deepened yesterday after a senior official claimed that Teck Corporation and another Canadian company, First Dynasty, had for the second time been given the right to develop the project and had signed a preliminary agreement.

Mr Seryal Kalmarzayev, chairman of the State Property Committee, also told the Reuters news agency that Teck had paid \$7.5m damages and collateral of \$5m. He said the estimated cost of developing Vasilkovskoye, which has reserves of 5.3m troy ounces, had risen from \$85m to \$92.5m.

However, in Vancouver, Mr John Taylor, Teck's chief financial officer, said that while his company had been negotiating for a second attempt at a Vasilkovskoye deal, it had not yet heard from the government and was trying to obtain confirmation of the Reuters report. He insisted Teck had paid no additional money.

A consortium led by Teck previously won a tender to develop Vasilkovskoye in June, but withdrew in August when the government could not provide guarantees on power costs. The Vasilkovskoye ore is difficult to process and milling it will require a great deal of power.

Vasilkovskoye has been dinged by controversy. The government upset the EBRD by cancelling a tender the bank was organising last year and handed the project to Flamingo Domes, a Canadian company. Flamingo Domes withdrew but is still waiting for the return of its \$55m deposit.

North Sea oil continues recent slide

MARKETS REPORT

By Deborah Hargreaves and Kenneth Gooding

North Sea oil prices lost 30 cents yesterday, continuing their recent slide, but analysts are divided about whether the market has launched into a downturn.

Brent crude for December delivery slipped to \$23.85 a barrel, with December futures on West Texas Intermediate down 36 cents in mid-session to \$24.50 a barrel

on the New York Mercantile Exchange.

Brent has now lost more than \$1 a barrel since the beginning of the week. Mr Geoff Pyne of UBS in London believes traders are using the stronger stock figures for heating oil released this week in the US as a chance to take profits in oils.

"Nothing fundamental has changed in this market: there is still a desperate shortage of heating oil stocks," said Mr Pyne. He believes prices will waver at

current levels or drift down unless there is a cold snap.

On the other hand, Mr Lindsay Horn of Lehman Brothers believes oil has broken out of the uptrend it has been in since the beginning of August. "It does look as if it's breaking down a bit, but I don't see a complete price collapse coming," he said.

On the London Metal Exchange, copper and aluminium prices continued to climb. Copper for three months delivery broke through the important \$2,000

a tonne level in late trading for the first time in seven weeks. Three-month aluminium brushed aside technical resistance at \$1,420 to reach \$1,424, up \$18 a tonne.

The Anthony Bird Associates consultancy said aluminium prices had over-reacted to the industry's short-term over-supply and this would make worse medium and longer-term supply shortages that would threaten before long.

"These medium-term problems will force themselves

on the market's attention by the end of 1997," Bird suggests in its latest Aluminium Analysis. "Accordingly, we see a rise in metal prices to about \$2,351 in 1998, followed by a peak at \$2,383 by 1999."

Life coffee futures prices slipped back following a wave of selling by hedge funds on the New York market. The market lost \$39 a tonne to \$1,355 a tonne.

Life March-Cocoa futures broke out of their recent range to end on a seven-month low of \$272 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Arranged Metal Trading)

ALUMINIUM, 99.7% Purity (\$/tonne)

Cash 3 months

Closes 1391-62 1422-23

Previous 1371-62.25 1424-26

High/Low 1381-5 1426-10

AM Official 1381-5 1426-10

Kerb close 1381-5 1426-10

Open int. 220,025 1422-23

Total daily turnover 73,892

ALUMINIUM ALLOY (\$/tonne)

Closes 1257-62 1280-81

Previous 1243-48 1280-81

High/Low 1243-48 1280-81

AM Official 1243-48 1280-81

Kerb close 1243-48 1280-81

Open int. 5,773 1280-81

Total daily turnover 1,535

LEAD (\$/tonne)

Closes 730-51 737-5-38.0

Previous 728-9 742-733

High/Low 728-9 742-733

AM Official 728-9 742-733

Kerb close 728-9 742-733

Open int. 40,391 732-57

Total daily turnover 11,254

NICKEL (\$/tonne)

Closes 7110-20 7220-30

Previous 7070-60 7180-90

High/Low 7070-60 7180-90

AM Official 7070-60 7180-90

Kerb close 7070-60 7180-90

Open int. 43,990 7180-90

Total daily turnover 7,695

ZINC (\$/tonne)

Closes 9550-60 9600-10

Previous 9520-50 9600-10

High/Low 9520-50 9600-10

AM Official 9520-50 9600-10

Kerb close 9520-50 9600-10

Open int. 15,993 9580-85

Total daily turnover 2,572

ZINC, special high grade (\$/tonne)

Closes 10013-02.5 10227-38

Previous 10000-01 10227-38

High/Low 10000-01 10227-38

AM Official 10000-01 10227-38

Kerb close 10000-01 10227-38

Open int. 98,590 10227-38

Total daily turnover 12,739

COPPER, grade A (\$/tonne)

Closes 20025-28 1994-35

Previous 1998-2000 1994-35

High/Low 1998-2000 1994-35

AM Official 1998-2000 1994-35

Kerb close 1998-2000 1994-35

Open int. 187,712 1992-43

Total daily turnover 72,188

LME AM Official 5:15 p.m. 1996

LME Closing 5:15 p.m. 1996

Spot 1992.2 5:15 p.m. 1996 9:15 1996

HIGH GRADE COPPER (COMEX)

Sett. Day's price change High Low Vol. Open

Oct 89.10 +2.20 99.10 95.50 353 2,047

Nov 95.35 +2.50 95.50 93.70 355 2,313

Dec 94.95 +2.50 95.00 92.50 6,254 22,334

Jan 93.55 +1.50 93.00 92.00 30 1,422

Feb 92.85 +1.50 92.80 92.00 22 966

Mar 92.05 +1.80 92.05 90.10 1,089 10,498

Total 25,739 90,110

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price £ equiv. SPV equiv.

Closes 382.90-383.40 382.90-383.40

Opening 383.70 240,459 480,469

Morning fix 383.00 240,427 480,413

Afternoon fix 383.00 240,427 480,413

Day's High 383.90-384.30 240,427 480,413

Day's Low 382.70-383.10 240,427 480,413

Previous close 383.40-383.80 240,427 480,413

London Mean Gold Lending Rates (p/100)

1 month 3.71 6 months 3.56

2 months 3.66 12 months 3.61

3 months 3.57

Spot Silver p/100 498.40

3 months 511.00

6 months 523.90

1 year 523.90

Gold Coins \$ price £ equiv.

Kruggerand 381.384 239.41

Maple Leaf 381.10-381.55 239.41

New Sovereign 89-92 239.41

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol. Open

Oct 383.1 -1.0 383.5 383.5 11 11

Nov 384.9 -1.0 385.3 384.5 10,859 99,592

Dec 387.1 -1.0 388.1 386.8 287 17,630

Jan 388.1 -1.0 389.1 387.7 10,859 99,592

Feb 388.1 -1.0 389.1 387.7 10,859 99,592

Mar 388.1 -1.0 389.1 387.7 10,859 99,592

Apr 388.1 -1.0 389.1 387.7 10,859 99,592

May 388.1 -1.0 389.1 387.7 10,859 99,592

Total 11,488 108,210

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol. Open

Oct 388.1 -2.1 388.5 388.2 1,753 19,287

Nov 388.1 -2.1 388.5 388.2 1,753 19,287

Dec 388.1 -2.1 388.5 388.2 1,753 19,287

Jan 388.1 -2.1 388.5 388.2 1,753 19,287

Feb 388.1 -2.1 388.5 388.2 1,753 19,287

Mar 388.1 -2.1 388.5 388.2 1,753 19,287

Apr 388.1 -2.1 388.5 388.2 1,753 19,287

May 388.1 -2.1 388.5 388.2 1,753 19,287

Total 1,753 19,287

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol. Open

Oct 119.00 -1.00 120.00 118.00 338 7,598

Nov 120.10 -0.50 120.00 120.00 30 210

Dec 121.15 -0.50 121.00 121.00 30 210

Jan 121.15 -0.50 121.00 121.00 30 210

Feb 121.15 -0.50 121.00 121.00 30 210

Mar 121.15 -0.50 121.00 121.00 30 210

Apr 121.15 -0.50 121.00 121.00 30 210

May 121.15 -0.50 121.00 121.00 30 210

Total 340 7,808

SILVER COMEX (5,000 Troy oz; \$/troy oz)

Sett. Day's price change High Low Vol. Open

Oct 489.3 -4.7 491.0 489.0 5,538 93,136

Nov 491.0 -4.7 492.7 490.0 5,538 93,136

Dec 492.7 -4.7 494.4 490.0 5,538 93,136

Jan 494.4 -4.7 496.1 492.0 5,538 93,136

Feb 496.1 -4.7 497.8 494.0 5,538 93,136

Mar 497.8 -4.7 499.5 495.0 5,538 93,136

Apr 499.5 -4.7 501.2 497.0 5,538 93,136

May 501.2 -4.7 502.9 499.0 5,538 93,136

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE[illegible]

[illegible][illegible]

INVESTMENT TRUSTS - Contd.

[illegible]

INSURANCE

[illegible]

Black & Decker 2
Boothco 2
Booth Inds 2

1760	1761	1762	1763	1764	1765	1766	1767	1768	1769	1770	1771	1772	1773	1774	1775	1776	1777	1778	1779	1780	1781	1782	1783	1784	1785	1786	1787	1788	1789	1790	1791	1792	1793	1794	1795	1796	1797	1798	1799	1800	1801	1802	1803	1804	1805	1806	1807	1808	1809	1810	1811	1812	1813	1814	1815	1816	1817	1818	1819	1820	1821	1822	1823	1824	1825	1826	1827	1828	1829	1830	1831	1832	1833	1834	1835	1836	1837	1838	1839	1840	1841	1842	1843	1844	1845	1846	1847	1848	1849	1850	1851	1852	1853	1854	1855	1856	1857	1858	1859	1860	1861	1862	1863	1864	1865	1866	1867	1868	1869	1870	1871	1872	1873	1874	1875	1876	1877	1878	1879	1880	1881	1882	1883	1884	1885	1886	1887	1888	1889	1890	1891	1892	1893	1894	1895	1896	1897	1898	1899	1900	1901	1902	1903	1904	1905	1906	1907	1908	1909	1910	1911	1912	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	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DIVERSIFIED INDUSTRIALS

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Rockwell**FOOD PRODUCERS - Cont.**[illegible]

ELECTRONIC & ELECTRICAL EQPT

4.2	Not all values supplied by Investor Securities on a guide only. See guide to London Share S
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0.2	
1.2	
1.4	
1.6	
1.8	
10.8	
1.9	
2.0	

Sony Y

Rank	Artist	Album	Label	Weeks on Chart	Peak Position
0.4	Heavenly Bodies	Heavenly Bodies	Capitol	13	1
1.4	Zero Pat	Zero Pat	Capitol	13	1
5.1	Zero Pat	Zero Pat	Capitol	13	1
6.4	Zero Pat	Zero Pat	Capitol	13	1

ON THE DISTRIBUTION

10-3	10-4	10-5	10-6	10-7	10-8	10-9	10-10	10-11	10-12	10-13	10-14	10-15	10-16	10-17	10-18	10-19	10-20	10-21	10-22	10-23	10-24	10-25	10-26	10-27	10-28	10-29	10-30	10-31	10-32	10-33	10-34	10-35	10-36	10-37	10-38	10-39	10-40	10-41	10-42	10-43	10-44	10-45	10-46	10-47	10-48	10-49	10-50	10-51	10-52	10-53	10-54	10-55	10-56	10-57	10-58	10-59	10-60	10-61	10-62	10-63	10-64	10-65	10-66	10-67	10-68	10-69	10-70	10-71	10-72	10-73	10-74	10-75	10-76	10-77	10-78	10-79	10-80	10-81	10-82	10-83	10-84	10-85	10-86	10-87	10-88	10-89	10-90	10-91	10-92	10-93	10-94	10-95	10-96	10-97	10-98	10-99	10-100
10-3	10-4	10-5	10-6	10-7	10-8	10-9	10-10	10-11	10-12	10-13	10-14	10-15	10-16	10-17	10-18	10-19	10-20	10-21	10-22	10-23	10-24	10-25	10-26	10-27	10-28	10-29	10-30	10-31	10-32	10-33	10-34	10-35	10-36	10-37	10-38	10-39	10-40	10-41	10-42	10-43	10-44	10-45	10-46	10-47	10-48	10-49	10-50	10-51	10-52	10-53	10-54	10-55	10-56	10-57	10-58	10-59	10-60	10-61	10-62	10-63	10-64	10-65	10-66	10-67	10-68	10-69	10-70	10-71	10-72	10-73	10-74	10-75	10-76	10-77	10-78	10-79	10-80	10-81	10-82	10-83	10-84	10-85	10-86	10-87	10-88	10-89	10-90	10-91	10-92	10-93	10-94	10-95	10-96	10-97	10-98	10-99	10-100

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

Company	Price	Change
Amgen Inc	13.0	+0.1
Amgen Inc	15.8	+0.1
Amgen Inc	11.9	+0.1
Amgen Inc	6.4	+0.1
Amgen Inc	12.5	+0.1
Amgen Inc	14.0	+0.1
Amgen Inc	24.9	+0.1
Amgen Inc	0.4	+0.1
Amgen Inc	14.4	+0.1

INV TRUSTS SPLIT CAPITAL

Year	Yield G/ha	Mean MMN	Mean Protein
70	24.8	—	—
230	—	357.3	21
207	3.3	302.3	—
195	24.3	27.8	7
182	—	—	—
175	17.5	—	—
380	—	338.9	42
18	24.1	24.1	14
125	—	—	—
41	27.5	—	—
6	—	33.8	68

محمد امين الشافعي

LONDON STOCK EXCHANGE

Footsie slips below 4,000 on gilts weakness

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

UK stocks fell sharply for the third successive session yesterday, with the FTSE 100 index sliding below 4,000. London was hit by a sharp reversal in gilts and by the continuing weakness on Wall Street.

Gilts came off on widespread profit-taking and also in the wake of a ruling in the European Court against the UK government regarding the refunding of excess value added tax on discounted goods. An unsubstantiated story that Goldman Sachs,

the US investment bank, had taken the whole of the auctioned stock was also circulating in the market and was said to have caused widespread unease.

Earlier, the gilts market had risen strongly in the wake of a successful outcome to the latest auction of £1.5bn-worth of 8 per cent stock dated 2015. The auction, the second this week, was covered 2.66 times.

Tuesday's gilts sale, £2bn-worth of 7 per cent stock, dated 2001, was covered an even more impressive 3.57 times.

The FTSE 100 index fell a further 29.0 to 3,999.4, the first time it has dropped below 4,000 since October 10 and extending its

decline over the past three days to 73.7 or 1.8 per cent. Although never as weak as the leaders, the second-line issues also gave ground, with the FTSE 250 slipping 6.5 to 4,424.5 and the SmallCap 2.4 to 2,181.6.

Dealers were again unmoved by Wall Street's erratic behaviour, which saw the Dow Jones Industrial Average drop almost 70 points on Wednesday evening, before rallying to close only 25 points off. Shortly after the start of trading yesterday, the Dow was almost 40 points lower, despite higher than expected weekly jobless claims.

One senior marketmaker said sentiment in London "has been blown for the moment. Just as any setback during the recent upsurge was shrugged aside, now it seems any rallies are quickly being drowned". He also pointed to the modest but persistent selling of US Treasury bonds during recent sessions.

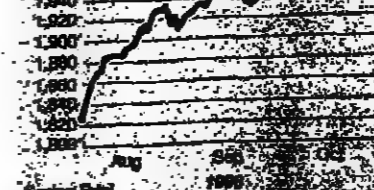
However, Footsie's weakness masked plenty of individual winners. ICI was the best performer in the FTSE 100 index, with the market showing its relief that the company's third-quarter numbers were no worse than expected and were in fact accompanied by a relatively optimistic statement.

There was similar relief for BAA, another big outperformer, 163½p. Analysts said there had been rumours of it signing some development deals. Analysts were largely unmoved by the news of the ruling by the European Court to disallow VAT on discount promotions. One of the cases had been brought by Argos, which initially went up on reports that it had won its case but fell 5 to 72½p. The effect of the issue on the profits of Unilever, which also won its case, was seen as negligible. The shares fell 12½ to 131½p, on fading hopes over reorganisation.

Support services group Rentokil initial came under pressure after NatWest Securities downgraded its recommendation on the stock. The shares fell 12 to 42½p, after trade of 5.8m. The securities house moved its recommendation from "hold" to "reduce" believing the shares to now be "overvalued".

BSkyB was again the biggest casualty in the FTSE 100, falling 39½ to 566½p on trading of 14m and the equivalent of 2.9m shares in the options market, after News Corp, which owns 40 per cent of BSkyB, confirmed it is to raise at least \$1bn through an issue of preference shares.

One analyst said that the market was worried if Mr Rupert Murdoch felt the shares were fairly valued. By effectively mortgaging some of his stake in BSkyB, Mr Murdoch was suggesting he could get a better return elsewhere.



Index	Value	Change
FTSE 100	3999.4	-29.0
FTSE 250	4424.5	-6.5
FTSE 350	1990.9	-11.9
FTSE All-Share	1965.25	-11.09
FTSE All-Share yield	3.78	3.76

Best performing sectors	Value
1 Gas Distribution	+1.5
2 Chemicals	+0.6
3 Transport	+0.3
4 Electricity	+0.2
5 Electronic & Elec	+0.2

FTSE 30	Value	Change
FTSE Non-Fin p/s	2915.5	-11.8
FTSE 100 Fin Dec	4050.0	-21.0
10 yr Gilt yield	7.67	7.51
Long gilts/100 yield ratio	2.11	2.11

Worst performing sectors	Value
1 Oil: Integrated	-2.0
2 Media	-1.3
3 Mineral Extraction	-1.5
4 Oil Exploration	-1.5
5 Alcoholic Beverages	-1.0

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFE) £25 per full index point	Open	Settle	Change	High	Low	Est. Vol	Open Int.
Dec	4048.0	4025.0	-22.0	4082.0	4016.0	12715	62359
Mar	4048.0	4030.0	-18.0	4082.0	4047.0	500	48
Jun	4048.0	4054.0	+6.0	4082.0	4047.0	0	0

FTSE 250 INDEX FUTURES (LFFE) £10 per full index point	Open	Settle	Change	High	Low	Est. Vol	Open Int.
Dec	4457.0	4457.0	0.0	4457.0	4457.0	0	5871

FTSE 350 INDEX FUTURES (LFFE) £10 per full index point	Open	Settle	Change	High	Low	Est. Vol	Open Int.
Dec	1990.9	1990.9	0.0	1990.9	1990.9	0	0

FTSE 100 INDEX OPTION (LFFE) £100 per full index point	Open	Settle	Change	High	Low	Est. Vol	Open Int.
Dec	4048.0	4025.0	-22.0	4082.0	4016.0	12715	62359
Mar	4048.0	4030.0	-18.0	4082.0	4047.0	500	48
Jun	4048.0	4054.0	+6.0	4082.0	4047.0	0	0

EURO STYLE FTSE 100 INDEX OPTION (LFFE) £10 per full index point	Open	Settle	Change	High	Low	Est. Vol	Open Int.
Dec	4048.0	4025.0	-22.0	4082.0	4016.0	12715	62359
Mar	4048.0	4030.0	-18.0	4082.0	4047.0	500	48
Jun	4048.0	4054.0	+6.0	4082.0	4047.0	0	0

Sainsbury on the war path

By Lisa Wood, Steve Thompson and Joel Kibazo

J Sainsbury hardened to 350p and a number of its competitors weakened on strong rumours that the retailer was about to launch a new price campaign.

Analysts said the retailer was going to offer more points on its Reward card for selected lines. At present, customers get one point for every pound spent after a minimum expenditure of £5. On reaching 250 points, a customer either gets a £2.50 voucher or a range of other offers.

Analysts said if Sainsbury had offered the extra points on all its lines, the competitive threat to other retailers would have been significant. They added that the campaign would provoke a "retailer" among food retailers rather than the retailers, but they praised Sainsbury, which has been hit by a number of downgrades, for fighting back.

Tesco, which launched a price initiative recently, taking market share from Sainsbury, fell 7 to 321½p. Safeway gave up 6 to 362½p on heavy turnover of 7.5m shares, and Asda softened to 115½p. Turnover in Asda reached 13m shares.

UK airports group BAA soared as the market appreciated confirmation from the

Civil Aviation Authority of the pricing regime for the group over the next five years.

The news that the pricing formula is to be inflation less 3 per cent sent dealers scrambling for stock and by the close of the session the shares showed a gain of 14½ to 519½p having traded a hefty 7.8m.

One trader said: "It is pure relief, we can now get on with the business of assessing things properly."

Brokers moved to reiterate their positive stance on the shares. The list included UBS which rates the stock a "buy". In a note to clients, the broker said: "This agreement on the regulation for the next five years effectively lifts the regulatory clouds from our forecasts."

Oil shares were among the worst performers in the FTSE 100, hit primarily by a shift of stance by SBC Warburg, one of the leading UK brokers, but also by a retreat in crude oil prices. Oil sector analysts at the broker moved from "neutral" to "underweight" in the integrated stocks and from "overweight" to "underweight" in the exploration and production issues.

BP bore the brunt of the selling pressure in the majors, the shares dropping 18, or almost 3 per cent, to 870p after heavy volume of 10m.

Shell Transport, meanwhile, held up well during the morning, but finally succumbed to the US pressure late in the day, closing 16½ at 1041p. Turnover in Shell was a good 4.4m shares. In

the E & P's, Enterprise Oil gave up 11 to 558½p and Lloyds 5 to 214p.

The takeover buzz in the regional electricity stocks refused to die down and was put forward as the reason behind the latest upsurge in East Midlands Electricity which shot up a further 19 to 518p. The shares have risen 34, or 7 per cent, in less than a week, amid hints that a predator could be circling the company.

International chemicals group ICI recorded one of its best days in recent sessions on relief in the market that the group's third-quarter figures had not been worse.

The company reported profits of £131m, at the bottom end of the market's forecasts, but ahead of the most pessimistic forecasts. The market also responded to an encouraging statement along with the numbers.

My Kinda Town rose 16 to

792½p, in spite of several brokers reducing full-year profit expectations. The list of brokers downgrading includes Kierwatt Benson which reduced its estimate by \$50m to \$550m. Mr Jeremy Chantry at the broker said: "These are disappointing figures, but there is an element of relief they were not worse."

Bass fell 11½ to 760p on continuing worries over its proposed acquisition of Carlsberg-Tetley being referred to the Monopolies and Mergers Commission, although Allied Domecq, which is selling the majority of its stake in Carlsberg-Tetley to Bass, strengthened 2½ to 461½p. One analyst suggested that there might be some switching from Guinness, which fell 10 to 446p.

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SCANCEN

Interim Report

Nine months ended September 30, 1996

- Earnings after net financial items and minority shares were SEK 947 M (783).
- Earnings for the full year are expected to total at least SEK 1.1 billion (955 M).
- Profit per share, after full tax, was SEK 14.50 (12.50). Profit per share for the full year is expected to be slightly more than SEK 17.00 (16.05).
- Cash flow amounted to SEK 1,574M (776). Cash flow for the full year is expected to exceed SEK 1.8 billion (1,336 M).

Scancem Group

SEK millions	9 mos. 1996	9 mos. 1995	Past 12 mos. 1995	12 mos. 1995
Sales	10,875	10,529	14,263	13,917
Operating income	2,090	1,657	2,505	2,072
Depreciation	-885	-588	-1,070	-773
Operating income after depreciation	1,205	1,069	1,435	1,299
Shares in associated companies	-2	4	18	24
Net financial items	-216	-145	-234	-163
Earnings after net financial items	987	928	1,219	1,160
Minority shares	-40	-145	-100	-205
Earnings after net financial items and minority shares	947	783	1,119	955
Earnings after tax	771	592	940	761

Aker Sement og Byggevarer has been consolidated as of January 1, 1996.

Scancem is one of Europe's major manufacturers of mineral-based building materials. The company's main markets are in the North Sea and Baltic Sea Regions. Scancem also conducts substantial cement operations in areas of the United States, Africa and Asia. Group sales amount to approximately SEK 14 billion annually and the number of employees totals 10,300.

Scancem AB, PO Box 60066, S-216 10 Malmö, Sweden

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Website: <http://www.scancem.com>

E-mail: info@hq.scancem.com

FTSE Actuaries Share Indices

Produced in conjunction with the Faculty and Institute of Actuaries

The UK Series

Day's	Oct 24	Oct 23	Oct 22	Oct 21	Year	Div.	Net	P/E	Xd	Total
FTSE 100	3999.4	-0.7	4028.4	4067.2	4073.1	3916.6	3.92	2.04	18.64	1824.21
FTSE 250	4424.5	-0.1	4431.1	4462.7	4469.0	4307.0	3.48	1.49	24.21	1974.40
FTSE 350	1990.9	-0.1	1997.5	2008.0	2015.0	1960.9	3.95	1.82	22.90	1055.86
FTSE All-Share	1965.25	-0.6	1990.9	2008.0	2015.0	1960.9	3.95	1.82	22.90	1055.86

FTSE 100 Higher Yield	1864.5	-0.4	1891.7	1901.1	1911.0	1747.8	6.17	1.82	13.22	68.84
FTSE 350 Higher Yield	1210.4	-0.8	1212.1	1218.4	1218.4	1175.0	6.17	1.82	13.22	68.84
FTSE SmallCap	2181.72	-0.1	2184.01	2191.09	2191.09	2149.81	3.12	1.88	28.35	58.82
FTSE SmallCap ex IT	2180.96	-0.1	2183.10	2190.81	2191.37	2138.78	3.33	1.85	22.81	63.16
FTSE All-Share	1965.25	-0.6	1990.9	2008.0	2015.0	1960.9	3.95	1.82	22.90	1055.86

FTSE Actuaries Industry Sectors

16 Oil Exploration & Prod(15)	4053.23	-2.0	4137.41	4121.58	4875.46	3.69	1.45	23.41	13.18	1617.64	
17 Oil Exploration & Prod(15)	2900.35	-1.3	2943.51	2928.04	3590.64	2.85	1.85	37.1	40.04	32.05	1757.55
20 GEN INDUSTRIAL SUPPLY(27)	2082.22	-0.1	2084.05	2071.73	2087.7	1.89	5.58	17.78	17.44	73.85	1147.58
21 Building & Construction(34)	1211.49	-0.1	1212.74	1214.33	1215.58	900.70	3.48	1.48	24.89	36.89	1091.88
22 Chemicals & Merch(26)	2343.51	-0.5	2345.51	2343.51	2345.51	2343.51	3.73	1.48	20.74	16.61	1175.58
23 Chemicals(25)	2438.51	-0.5	2442.54	2440.28	2449.54	2414.51	3.73	1.48	20.74	16.61	1175.58
24 Diversified Industrials(18)	1470.38	-0.5	1477.08	1473.28	1484.01	1710.54	6.90	1.62	11.18	66.36	847.58
25 Electronic & Elect Equip(37)	2253.58	-0.4	2251.58	2243.58	2253.58	2251.58	3.59	1.48	22.28	53.07	1229.58
26 Electronic & Elect Equip(37)	2253.58	-0.4	2251.58	2243.58	2253.58	2251.58	3.59	1.48	22.28	53.07	1229.58
27 Engineering, Vehicles(14)	3292.14	-0.1	3297.18	3293.03	3305.26	2587.86	3.31	1.72	21.84	24.64	173.08
28 Paper, Poly & Printing(28)	3800.05	-0.1	3804.18	3800.05	3805.50	3800.05	4.01	1.62	17.09	50.98	736.48
29 Chemicals & Apparel(19)	1735.05	-0.1	1735.05	1735.05	1735.05	1735.05	3.53	1.16	17.09	50.98	736.48
30 Consumer Goods(25)	1735.05	-0.1	1735.05	1735.05	1735.05	1735.05	3.53	1.16	17.09	50.98	736.48
32 Alcoholic Beverages(2)	2786.42	-1.0	2795.74	2813.58	2850.18	2850.18	3.94	1.63	16.87	158.77	101.58
33 Food Products(25)	2876.44	-0.5	2898.28	2893.33	2921.49	2485.04	4.18	1.62	25.25	118.22	80.48
34 Household Goods(18)	2786.27	-0.4	2785.07	2786.33	2793.08	2630.38	3.89	2.25	15.06	56.47	107.74
35 Household Goods(18)	2786.27	-0.4	2785.07	2786.33	2793.08	2630.38	3.89	2.25	15.06	56.47	107.74
37 Pharmaceuticals(14)	5988.26	-0.5	5991.38	5990.10	5972.96	5972.96	2.91	2.01	21.31	102.23	235.58
38 Tobacco(2)	3608.22	-0.3	3634.49	3630.38	3691.33	4105.81	7.19	2.11	23.25	252.07	92.66
40 SERVICES(264)	2809.81	-0.4	2821.81	2855.01	2867.78	2145.04	2.84	1.97	22.34	73.18	127.58
41 Services(264)	2809.81	-0.4	2821.81	2855.01	2867.78	2145.04	2.84	1.97	22.34	73.18	127.58
42 Media(2)	2876.41	-1.0	2895.74	2893.33	2921.49	2485.04	4.18	1.62	25.25	118.22	80.48
43 Media(2)	2876.41	-1.0	2895.74	2893.33	2921.49	2485.04	4.18	1.62	25.25	118.22	80.48
44 Media(2)	2876.41	-1.0	2895.74	2893.33	2921.49	2485.04	4.18	1.62	25.25	118.22	80.48
45 Retailers, Food(18)	1857.54	-0.9	1858.08	1858.08	1858.08	1858.08	3.84	2.34	13.84	63.74	128.33
46 Retailers, Food(18)	1857.54	-0.9	1858.08	1858.08	1858.08	1858.08	3.84	2.34	13.84	63.74	128.33
47 Beverages, Poly & Rest.(21)	3100.38	-0.3	3112.84	3124.90	3191.18	3191.18	3.55	1.60	20.57	82.71	229.33
48 Support Services(35)	2809.81	-0.3	2821.81	2855.01	2867.78	2145.04	2.84	1.97	22.34	73.18	127.58
49 Transportation(32)	2809.81	-0.3	2821.81	2855.01	2867.78	2145.04	2.84	1.97	22.34	73.18	127.58
50 UTILITIES(25)	2265.03	-0.5	2264.27	2268.57	2281.72	2488.18	3.74	1.76	12.40	167.65	109.58
51 Utilities(25)	2265.03	-0.5	2264.27	2268.57	2281.72	2488.18	3.74	1.76	12.40	167.65	109.58
52 Gas Distribution(2)	1285.38	-1.5	1286.02	1286.58	1286.58	1600.94	9.32	0.89	14.08	119.71	703.48
56 Telecommunications(18)	1842.98	-0.2	1846.08	1867.07	1887.05	2025.45	4.15	1.93	18.70	80.42	180.42
58 Water(1)	2904.58	-0.5	2915.08	2912.24	2914.13	2903.29	0.57	3.21	34.24	34.85	116.48
59 FINANCIALS(17)	2057.47	-0.7	2071.58	2068.54	2069.71	1687.32	4.92	1.61	14.11	71.90	196.04
60 FINANCIALS(17)	2057.47	-0.7	2071.58	2068.54	2069.71	1687.32	4.92	1.61	14.11	71.90	196.04
61 Insurance(17)	3298.18	-0.3	3303.57	3303.57	3303.57	2701.08	4.09	2.62	13.77	163.91	145.33
62 Insurance(17)	3298.18	-0.3	3303.57	3303.57	3303.57	2701.08	4.09	2.62	13.77	163.91	145.33
63 Banks, Merch(21)	3709.03	-0.4	3723.15	3742.80	3733.95	3553.87	2.61	2.62	15.00	91.01	130.18
67 Insurance(21)	1544.11	-0.1	1544.12	1543.87	1558.65	1370.85	5.45	-2.27	10.11	70.70	1193.58
74 Life Assurance(7)	3623.72	-0.3	3635.81	3668.64	3666.69	3077.72	4.07	-3.76	12.22	45.01	1265.58
75 Life Insurance(7)	3623.72	-0.3	3635.81	3668.64	3666.69	3077.72	4.07	-3.76	12.22	45.01	1265.58
79 Property(13)	1990.99	-0.5	1991.78	1998.78	1995.88	1348.41	3.67	2.26	22.60	47.55	109.04
FTSE INVESTMENT TRUSTS(127)	3177.59	-0.2	3184.19	3204.18	3214.06	2405.86	2.54	1.12	45.86	80.49	1260.04
85 FTSE AS-Shares(26)	1985.25	-0.6	1978.34	1988.10	1984.54	1730.57	3.78	1.91	17.31	72.51	199.04
FTSE Flexing	1235.46	-1.3	1235.31	1237.39	1239.32	1078.59	3.07	0.68	67.22	29.08	1306.18
FTSE Flexing ex IT	1247.47	-1.4	1247.04	1248.48	1250.19	1078.18	3.01	0.58	73.19	32.87	1306.18

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE									
Austria (Oct 24 / Fri)									
ATX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Belgium (Oct 24 / Fri)									
BEX	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Denmark (Oct 24 / Fri)									
OMXC20	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
France (Oct 24 / Fri)									
CAC40	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Germany (Oct 24 / Fri)									
DAX	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Greece (Oct 24 / Fri)									
ATHEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Ireland (Oct 24 / Fri)									
ISEQ	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Italy (Oct 24 / Fri)									
FTSEMIB	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Japan (Oct 24 / Fri)									
Nikkei	12,345.67	+123.45	12,222.22	12,469.01	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Korea (Oct 24 / Fri)									
KOSPI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Netherlands (Oct 24 / Fri)									
AEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Norway (Oct 24 / Fri)									
OSEX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Portugal (Oct 24 / Fri)									
BVLXPS	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Spain (Oct 24 / Fri)									
IBEX35	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Sweden (Oct 24 / Fri)									
OMXC20	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Switzerland (Oct 24 / Fri)									
SIX	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
UK (Oct 24 / Fri)									
FTSE100	3,456.78	+45.67	3,411.11	3,502.34	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
USA (Oct 24 / Fri)									
Dow Jones	12,345.67	+123.45	12,222.22	12,469.01	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Australia (Oct 24 / Fri)									
ASX200	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
New Zealand (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
South Africa (Oct 24 / Fri)									
JSE30	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Oct 24 / Fri)									
HSX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Oct 24 / Fri)									
TSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Oct 24 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Oct 24 / Fri)									
PSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia (Oct 24 / Fri)									
JSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia (Oct 24 / Fri)									
KLSE	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Oct 24 / Fri)									
HSX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Oct 24 / Fri)									
TSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Oct 24 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Oct 24 / Fri)									
PSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia (Oct 24 / Fri)									
JSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia (Oct 24 / Fri)									
KLSE	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Oct 24 / Fri)									
HSX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Oct 24 / Fri)									
TSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Oct 24 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Oct 24 / Fri)									
PSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia (Oct 24 / Fri)									
JSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia (Oct 24 / Fri)									
KLSE	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Oct 24 / Fri)									
HSX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Oct 24 / Fri)									
TSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Oct 24 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Oct 24 / Fri)									
PSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia (Oct 24 / Fri)									
JSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia (Oct 24 / Fri)									
KLSE	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore (Oct 24 / Fri)									
SEAX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Hong Kong (Oct 24 / Fri)									
HSX	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan (Oct 24 / Fri)									
TSEI	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand (Oct 24 / Fri)									
SET	1,234.56	+12.34	1,222.22	1,246.90	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines (Oct 24 / Fri)									

4 pm close October 24

NYSE PRICES

Stock	High	Low	Open	Close	Change
IBM	125.12	124.87	125.00	124.87	-0.13
Microsoft	68.12	67.87	68.00	67.87	-0.13
Apple	54.12	53.87	54.00	53.87	-0.13
Oracle	48.12	47.87	48.00	47.87	-0.13
Sun	42.12	41.87	42.00	41.87	-0.13
HP	36.12	35.87	36.00	35.87	-0.13
Intel	30.12	29.87	30.00	29.87	-0.13
Motorola	24.12	23.87	24.00	23.87	-0.13
Comcast	18.12	17.87	18.00	17.87	-0.13
Verizon	12.12	11.87	12.00	11.87	-0.13

NASDAQ NATIONAL MARKET

4 pm close October 24

Stock	High	Low	Open	Close	Change
Amazon	125.12	124.87	125.00	124.87	-0.13
Alibaba	68.12	67.87	68.00	67.87	-0.13
Google	54.12	53.87	54.00	53.87	-0.13
Facebook	48.12	47.87	48.00	47.87	-0.13
Twitter	42.12	41.87	42.00	41.87	-0.13
LinkedIn	36.12	35.87	36.00	35.87	-0.13
Slack	30.12	29.87	30.00	29.87	-0.13
Zoom	24.12	23.87	24.00	23.87	-0.13
Dropbox	18.12	17.87	18.00	17.87	-0.13
OneDrive	12.12	11.87	12.00	11.87	-0.13

AMEX PRICES

4 pm close October 24

Stock	High	Low	Open	Close	Change
Gold	125.12	124.87	125.00	124.87	-0.13
Silver	68.12	67.87	68.00	67.87	-0.13
Copper	54.12	53.87	54.00	53.87	-0.13
Platinum	48.12	47.87	48.00	47.87	-0.13
Palladium	42.12	41.87	42.00	41.87	-0.13
Crude Oil	36.12	35.87	36.00	35.87	-0.13
Natural Gas	30.12	29.87	30.00	29.87	-0.13
Heating Oil	24.12	23.87	24.00	23.87	-0.13
Gasoline	18.12	17.87	18.00	17.87	-0.13
Electricity	12.12	11.87	12.00	11.87	-0.13

FT 700 Annual Report Service

4 pm close October 24

Stock	High	Low	Open	Close	Change
FT 700	125.12	124.87	125.00	124.87	-0.13
FT 100	68.12	67.87	68.00	67.87	-0.13
FT 200	54.12	53.87	54.00	53.87	-0.13
FT 300	48.12	47.87	48.00	47.87	-0.13
FT 400	42.12	41.87	42.00	41.87	-0.13
FT 500	36.12	35.87	36.00	35.87	-0.13
FT 600	30.12	29.87	30.00	29.87	-0.13
FT 700	24.12	23.87	24.00	23.87	-0.13
FT 800	18.12	17.87	18.00	17.87	-0.13
FT 900	12.12	11.87	12.00	11.87	-0.13

FT 1000 Annual Report Service

4 pm close October 24

Stock	High	Low	Open	Close	Change
FT 1000	125.12	124.87	125.00	124.87	-0.13
FT 1100	68.12	67.87	68.00	67.87	-0.13
FT 1200	54.12	53.87	54.00	53.87	-0.13
FT 1300	48.12	47.87	48.00	47.87	-0.13
FT 1400	42.12	41.87	42.00	41.87	-0.13
FT 1500	36.12	35.87	36.00	35.87	-0.13
FT 1600	30.12	29.87	30.00	29.87	-0.13
FT 1700	24.12	23.87	24.00	23.87	-0.13
FT 1800	18.12	17.87	18.00	17.87	-0.13
FT 1900	12.12	11.87	12.00	11.87	-0.13

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Financial Times. World Business Newspaper.

Stock	High	Low	Open	Close	Change
FT 2000	125.12	124.87	125.00	124.87	-0.13
FT 2100	68.12	67.87	68.00	67.87	-0.13
FT 2200	54.12	53.87	54.00	53.87	-0.13
FT 2300	48.12	47.87	48.00	47.87	-0.13
FT 2400	42.12	41.87	42.00	41.87	-0.13
FT 2500	36.12	35.87	36.00	35.87	-0.13
FT 2600	30.12	29.87	30.00	29.87	-0.13
FT 2700	24.12	23.87	24.00	23.87	-0.13
FT 2800	18.12	17.87	18.00	17.87	-0.13
FT 2900	12.12	11.87	12.00	11.87	-0.13

Philips shares fluctuate in record volume

SUNKYONG INDUSTRIES LIMITED
US\$ 50,000,000
FLOATING RATE NOTES DUE 1996

(Redeemable at the option of Noteholders in April 1996 and April 1997 and at the option of the Issuer on any interest payment date falling in or after April 1998)

In accordance with the provisions of the Notes, notices is hereby given as follows:

- * Interest period: October 24, 1996 to January 24, 1997
- * Interest payment date: January 24, 1997
- * Interest rate: 5.90625% per annum
- * Coupon amount: US \$ 5,773.44 per note of US \$ 250,000

BANQUE INTERNATIONALE
A LUXEMBOURG

Friday October 25
rd volume

FINANCIAL TIMES FRIDAY OCTOBER 25 1996

BfG Bank Luxembourg S.A.

GRUPPE CREDIT LYONNAIS

Als Tochtergesellschaft der BfG Bank AG in Frankfurt sind wir als Eurobank in Luxemburg seit über 20 Jahren erfolgreich tätig. Zur Verstärkung unseres Teams im Geld- & Devisenhandel suchen wir zum baldmöglichsten Eintritt eine(n) erfahrene(n)

Senior Dealer

Als zukünftige(r) Kollege(in) verfügen Sie über mindestens 5 Jahre Erfahrung in den Bereichen:

- Aktiv-/Passivmanagement im Geldmarktbereich
- Handel mit den dazugehörigen derivativen Finanzprodukten
- Erfahrung im Devisenhandel.

Ferner erfüllen Sie folgende Qualifikationen:

- allgemeines Bankfachwissen
- PC-Erfahrung in EXCEL
- perfekte deutsche und englische Sprachkenntnisse. (Französischkenntnisse wären von Vorteil.)

Besitzen Sie außerdem die Fähigkeit, die Vertretung des Chefhändlers während dessen Abwesenheit zu übernehmen, dann freuen wir uns auf Ihre Bewerbungsunterlagen (tab. Lebenslauf, Zeugniskopien, Lichtbild).

BfG Bank Luxembourg S.A.
Gruppe Credit Lyonnais
Personalabteilung
Frau Neumann
2, rue Jean Bertholet
L-1233 Luxembourg
Tel: 00352/452255-330



AUSTRALIAN HIGH COMMISSION
LONDON

INVESTMENT COMMISSIONER

The Australian Government is seeking an Investment Commissioner to promote and facilitate direct investment into Australia from the United Kingdom in the manufacturing and services sectors including identification of potential investors on behalf of Australian companies seeking a foreign partner.

Based in the High Commission London, the successful applicant will be an Australian citizen who is familiar with international business and/or investment promotion and facilitation techniques gained from extensive experience in merchant banking, corporate finance, strategic planning and/or investment attraction.

The position requires good knowledge and experience of the Australian and UK business environment and the capability of gaining access and making presentations to business leaders at the highest levels. The successful candidate will preferably have relevant tertiary qualifications such as an MBA and/or a commerce or law degree.

A three year contract including an attractive remuneration package will be offered commensurate with the qualifications and experience of the successful applicant. Austrade offers equal opportunity employment conditions.

Initial information and selection documentation can be obtained from the office of the Senior Trade Commissioner, Australian High Commission London by phone 0171 8875204 or by fax 0171 8364250. Further enquiries should be directed to Tony Baker, General Manager, Investment Australia, Austrade Sydney on 06619 9390 9036 (office) or 06614 11518157 (mobile). Applications will be treated in the strictest confidence and should be forwarded by Friday, 8 November 1996.

The Recruitment Officer
Australian Trade Commission
GPO Box 2386
Canberra ACT 2601
Australia
or fax 61 6 201 7341



amadeus
GLOBAL TRAVEL DISTRIBUTION

AMADEUS, World leading multinational Computer Reservation System, owned by Air France, Iberia, Lufthansa and Continental, is seeking for its headquarters in Madrid (Spain) the following position:

RISK (FX AND INTEREST) MANAGER

(Ref. TR-2-96)

Reporting to the Group Treasurer, the successful candidate will be responsible for the implementation of the selected management system as well as for the overall Group foreign exchange and interest rate risk management, identifying and measuring FX and interest rate exposures, defining hedging strategies, carrying out transactions and supervising settlements also in coordination with AMADEUS Core Companies.

We are looking for a professional with 5-7 years experience in a similar position with large companies or groups of companies, with sound knowledge of foreign exchange and interest rate exposure management, as well as debt and investment management. The candidate should be familiar with derivatives, forwards, swaps, options, caps, futures ... and also have experience in the implementation and use of FX management systems.

All applicants must fulfill the following requirements:

- University Degree in Economics or Business Studies. An MBA is desirable.
- Bilingual English/Spanish, fluency in German and/or French considered an advantage.
- Advanced PC skills (Lotus, Excel, Word).
- Age between 30-35 years.

Essential qualities are flexibility, to have a roll-up sleeves attitude to work, to be willing to deal with a wide range of tasks and above all, to be an effective team player.

Candidates must be European Union citizens.

All interested candidates who meet all the requirements are asked to send a CV in English with a photograph, clearly stating the reference and mentioning the level of desired remuneration, to the following address:

Apdo. Correos 20172
28027 Madrid (SPAIN)

Deadline for submission of applications is November 8, 1996

Institutional Fixed Income Sales

Fixed Income relative value sales desk seeks qualified individuals to join sales effort focusing on global sovereign debt & spread products such as emerging markets, structured products, etc. This group is part of a major international bank with AA credit. All of Europe, Middle and Far East open for coverage.

Please fax your resume to Dublin office
(353) 1 605-0480 Attention: European Sales

ACCOUNTANCY APPOINTMENTS

EUROPEAN CONTROLLER

BENELUX

Our client is a blue chip US multinational with operations worldwide. The company generates an annual revenue of approximately \$70 billion and employs more than 200,000 people.

One of the numerous business activities includes the Modular Space Business Group which is in the process of setting up a European Head Office for their rapidly growing Pan European operation. This business group rents, leases and finances customised mobile and modular building solutions for commercial applications. Currently they have operations in four countries and they are strongly expanding their European operations due to business growth and acquisitions.

In order to strengthen their finance team they are looking for a high calibre European Controller. We would like to hear from business orientated finance professionals who are challenged by this new position in an entrepreneurial environment. Reporting directly to the Chief Financial Officer, the European

Controller's position offers a high degree of responsibility and exposure to executive management.

The main responsibilities will be:

- to have sound financial control on business activities according to group guidelines
- maintaining good relationships with country controllers and management
- due diligence
- setting up the financial objectives for the operating units
- implementing policies and procedures
- reviewing forecasts and reporting
- business performance analyses and recommendations
- involvement in the implementation of Oracle Financials
- strategic business projects.

The successful candidate will be aged mid-thirties and be a qualified

EXCELLENT PACKAGE

Accountant (CPA/ACA/RA) with at least eight to 10 years experience gained by working in a similar financial position for international businesses. You should also be able to demonstrate excellent career progression within a complex and continuously changing environment. For this high profile role strong analytical and communication skills are essential together with leadership and entrepreneurial qualities. You will have a drive for results, be process driven and flexible, have a business approach with a self-starter attitude. The business language is English but a second European language would be desirable. There will be up to 20 percent international travel. Career development opportunities are excellent.

If you are interested in this opportunity, please contact Elisabeth MM Huijgen on Tel: 00-31-20-6444 655 or send your curriculum vitae to Robert Walters Associates, 'Riviersteats', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands, E-mail: elisabeth.huijgen@robertwalters.com or fax: 00-31-20-6429 005.

ROBERT WALTERS ASSOCIATES

L O N D O N W I N D S O R N E W Y O R K A M S T E R D A M B R U S S E L S S Y D N E Y W E L L I N G T O N

Chief Financial Officer - Germany

World Leading Software Products and Services

Package to c. DM200,000

Our client is one of the leading software companies in the world, providing top quality products and services for each of its major markets, which include electronic commerce, applications management and systems management. Last year the organisation recorded revenue of \$588 million and is enjoying a period of significant profitability. Its International division now requires a Chief Financial Officer for its German operation. Reporting to the President-Germany and VP Finance International, your responsibilities will include:

- Overseeing accounting, financial controls and systems throughout the Company.
- Preparing budgets with emphasis on balance sheets and cash flow forecasting.
- Involvement in the planning and implementation of all aspects of Business Development and Sales and Marketing.
- Provide a strategic approach to management and financial information identifying key areas of focus.
- Be instrumental in all contract negotiations.

Candidates will be graduate calibre accountants with at least 7-10 years' PQE gained with a US subsidiary or European multinational. Candidates will display considerable business acumen and entrepreneurship and be able to operate in a highly decentralised, profit driven and incentivised environment. They will display a hands-on management style as well as a strategic approach to performance, profitability and future direction of the company. Fluent English and German is essential. Salary is negotiable and will reflect the seniority of the position. Assistance with relocation will also be available if required.

If you believe you have the necessary attributes and dynamism for this unique role then please send an up-to-date CV, along with your current salary details, to the advising consultants at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032). Please quote reference number HNF160FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

Controller Belgium

cBF2,500,000 + Bonus + Benefits

Brussels

Our client, with worldwide revenue in excess of \$3 billion, is recognised as being the market leader in the transportation service industry.

This US based multinational corporation is currently seeking a Controller for its Belgium and Luxembourg business unit. Reporting to the General Manager - Belux and functionally to the Controller of European Operations, responsibilities will include:

- Directing the financial and accounting functions of a \$30 million business unit in accordance with US GAAP standards and local statutory requirements.
- Preparing, analysing and interpret financial matters for utilisation by management in the decision making process and evaluating the data with reference to company and unit objectives.
- Establishing and maintaining an integrated financial plan consistent with the company's goals and objectives, both short and long term, analysed and revised as required and communicated to all levels of management.
- Developing and revising internal control standards to provide guidance and assistance to other members of management in ensuring conformance with company standards.

- Overseeing assigned tax, treasury, purchasing and MIS functions, maintaining appropriate relationships with internal and external auditors and developing and maintaining systems and procedures in accordance with company standards.

The ideal candidate will be a qualified accountant (MBA Finance a PLUS) with at least 6 years' experience with US multi-national organisations and possess prior senior finance management experience. Given the highly commercial focus of this position, the individual will display both strong technical skills and considerable business acumen and be able to operate in an environment that is transitioning to a centralised shared service structure. This is a challenging and demanding role which will require a proactive individual with superior communication skills, a grasp of day-to-day management as well as the ability to make a significant contribution, at a strategic level, to the performance and profitability of the company. Fluent English, French and Dutch are essential.

Suitable candidates should forward their details to the advising consultant, at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF159FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

AN INTERNATIONAL MANUFACTURING COMPANY RECRUITS FOR FINANCIAL POSITIONS

Based : NORTH AMERICA

With \$ 5 billion in Sales, this manufacturing company ranks amongst the world's ten leading suppliers in its sector. With a strategy focusing the 30 000 employees around the world on Total Customer's Satisfaction and high profitability target's the Group has reached self-financed development.

Division Account Director (ref. MF01FT)

In charge of the Accounts of the different Industrial sites and Commercial entities in North America, you report to the CFO. This position requires CPA and a five year experience in the Accounts Department of an Industrial Group.

Manager Treasury (ref. TAA01FT)

Reporting to the CFO, you will manage the daily disposition of cash balances and devise a strategy for long and short term funding.

Customer Project Controller (ref. MF02FT)

You have to manage the new projects from the very beginning of the process to the end, according to budgets, margins, costs... You act as and adviser to the different Project Managers, the Purchase Manager, the R&D Manager and the different people from the Finance and Administration side including MIS.

Plant Controller (ref. TAA02FT)

You are the main correspondent of the Division Financial Controller. You manage a team and you are in charge of the harmonisation of group procedures, the controlling and reporting to the US division.

THE PROFILES : • Age : 30 to 40 • Certified Public Accountant or Business School Degree • Preferably a first experience in Audit followed by an experience in a Manufacturing environment • A strong personality and a taste for challenges is required as well as a good maturity and a real sense of analysis

Interested candidates apply in writing to Thomas ANGLES D'AURIAC or Marie FRAIOLI, clearly stating your current salary and the reference of the advert NICHOLSON INTERNATIONAL FRANCE
14 rue Pergolèse - 75116 PARIS (France) - Tel. (00-33) 01 44 17 81 81 - Fax (00-33) 01 45 00 03 20



NICHOLSON INTERNATIONAL
France

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Headquarters

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Small team; Big ambitions; Unique opportunity; Right time

Our clients, a fully listed plc, are at an early stage of building a portfolio of quality manufacturing and distribution businesses focused on growth sectors of their market. Having just completed their second acquisition in the past 9 months, they need a young, probably late 20s, qualified accountant to join their small team in the role of Mergers and Acquisitions Accountant.

You'll be working with main board directors on potential acquisitions and development opportunities, analysing their performance and liaising with reporting accountants. The job demands a range of skills from financial modelling to forecasting, preparing briefs for external analysts and producing business reviews and long form reports. It will involve you in some UK travel and you must anticipate a number of protracted stays away from London in the course of the average year.

You need to be a Chartered Accountant who trained with one of the largest U.K. practices. A strong background in corporate finance is essential. Beyond that we'd wish to be persuaded that you're likely to share our clients' absolute commitment to growth - and therefore to change.

CVs please and a letter underlining your match with our clients' needs to: John McManus, C&M Search & Selection, 72/75 Marylebone High Street, London W1N 3AR. Ref AM/FT

Courtis & McManus
Search and Selection

FINANCE DIRECTOR

Telecoms
Manufacturing

Our client is a rapidly expanding, autonomous, \$160 million turnover subsidiary of an international corporation engaged in the design, manufacture and marketing of mobile phones and other telecommunications products. They seek to appoint a highly commercial finance professional to the Board who will play an important role in shaping the future of the business. Prime responsibility will be to manage the Finance Group in the provision of financial expertise and business support, and in particular to:

Denmark

- Maintain strict working capital control and drive systems development
- Drive business planning and evolve organisational strategies to meet corporate goals
- Assess the viability of new initiatives and play a leading role in contract negotiations
- Make ongoing commercial and strategic contributions to the long term, profitable growth of the business

Six figure
salary package

Candidates will be qualified accountants or business graduates with at least 10 years' senior financial management experience gained in a fast moving, international, manufacturing environment. Strong personal presence, outstanding communication skills and incisive leadership ability are prerequisites. Fluency in Danish and English is essential.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HMH/6654/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

THE PSD GROUP



DIVISIONAL FINANCIAL DIRECTOR

World Class Manufacturing Business

Germany



to DM210,000
Package + Car

Sunrise Medical, an NYSE-listed company, is the leading manufacturer of high-value rehabilitation and recovery products for the disabled. Established in California in 1983, the company has a reputation for excellence in manufacturing and a firm commitment to customer service, underpinned by a progressive and forward-thinking style of management. The result has been an impressive and consistent record of growth and profitability, with operations throughout the USA, Canada and Europe.

THE POSITION

- Reporting to the Chief Executive of the company's DM100m German operation, with a dotted-line to the European Vice-President, Finance.
- Full functional responsibility for all financial matters, including reporting requirements for the US parent, divisional management accounting, budgets, forecasts and systems development.
- Significant strategic exposure, playing a pivotal role in the management of a complex, highly cost and margin-sensitive business, at a time of considerable change.
- A highly influential and prominent role in a young, exciting and rapidly expanding business.

QUALIFICATIONS

- Qualified Accountant, preferably Chartered, aged at least 30 and already operating in a senior line management role.
- Fluency in both English and German is vital.
- Experience in a quality-driven 'discrete' manufacturing environment, preferably with international operations.
- Broad-based line management experience, with specific expertise in the areas of cost control and profit improvement. Proactive, able to demonstrate bottom-line awareness.
- Strong interpersonal skills, with the intellect to contribute to the strategic development of the business.

Interested candidates should write, enclosing full career and salary details to the advising consultant, William Greenwell at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Please quote reference 1412.

QUESTOR INTERNATIONAL
A Michael Page Group PLC Company

Director of Audit

£80,000 Package + Car & Benefits

London

Seasoned professional required to lead internal audit function in the London Transport Group.

THE COMPANY

- Annual turnover in excess of £1 billion. Capital expenditure to top £1 billion in current year.
- Group activities include London Underground, LT Buses and LT Property.
- Major projects under way, including the Jubilee Line Extension.

THE POSITION

- Responsible for wide-ranging audit programme across full spectrum of LT activities. Responsible to Board Member for Finance with regular reports to LT Audit Committee and Board.
- Evaluate adequacy of systems and controls throughout Group, ensure compliance. Support senior management in effective discharge of corporate governance and recommend improvements.

Please send full cv, stating salary, ref LG610A1, to NBS, 54 Jermyn Street, London SW1Y 6LX



NBS SELECTION LTD
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Edinburgh • Glasgow • Leeds • London
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Coatings & Resins

In Europe, the company (with a USD 2,000 million turnover and 8,000 staff), is part of an international group employing 35,000 people, a world leader in the domain of coatings, glass for buildings and automotive, fibre glass and chemical processing, is looking for its coatings and resins activities for a:

Financial Analysis Manager

Europe

Paris La Défense/France

Working closely with the European Controller, you will be responsible in Europe for:

- Consolidating monthly, quarterly and annual Systems Business Unit sales and earnings forecasts.
- Providing financial analysis and support to the business unit managers.
- Supplying monthly analysis of the financial results.
- Providing necessary guidance to ensure completion of the profit plan.
- Controlling the European "micro control" database.

Your working language will be English, two other European languages would be advantageous and you should have a minimum of seven years experience with a US company regional headquarters preferably in a consolidation/reporting function.

You will be able to communicate at all levels and demonstrate good organisation skills. You will be MIS and PC literate.

Please send your CV, photograph, telephone number, present salary to Nicolas Béchu at Michael Page International, 3 boulevard Bineau, 92594 Levallois-Perret, France quoting ref NBE14904.



Michael Page International

International Recruitment Consultants

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Coopers
& Lybrand

Executive
Resourcing

Financial Director

NORTHANTS

TO £50,000 + SUBSTANTIAL BENEFITS + OPTIONS

This is an exceptional opportunity for a commercial and ambitious finance professional to play a key role in the further development and expansion of a £25 million turnover consumer durables manufacturing company, which is an autonomous subsidiary of a quoted group. Following a programme of major organisational and operational initiatives, the company is now in a strong position to move forward and exploit and reinforce the strength of its brand portfolio.

With full accountability for optimising the financial management and finance functions across a range of diverse operations, you will as Financial Director also be expected to make a significant contribution in driving forward business performance and managing the planning process. Initial objectives will include the advancement of accounting and information systems necessary to secure the information to control and plan the commercial success of the organisation.

Applicants must be result and profit orientated individuals with well developed commercial and business acumen in addition to sound professional and technical skills. You are likely to be a graduate qualified accountant with a sound knowledge of modern integrated management information systems. A track record of achievement within a substantial, commercially strong, market led manufacturing organisation is essential, as are the interpersonal skills and ability to positively influence management colleagues. You must be equally capable of functioning at board level in supporting and identifying major change and in the detail necessary to drive and challenge operational issues and control associated costs.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG quoting reference AE932 on both envelope and letter.

FINANCE DIRECTOR

£50,000 + SHARE OPTIONS + BENEFITS

Based at Surrey Research Park and with offices in Germany and Japan, our client is a young entrepreneurial and ambitious company with a very bright future. Developed through a management buy-out from a major multinational electronics group in 1994, it specialises in leading edge communication and control network design solutions for the automotive and information equipment industries worldwide. Currently enjoying outstanding growth, its ultimate business goal is to achieve a stock market listing within 5 years.

To play a key role in this process, the company is seeking a high calibre Finance Director to join its small management team. Reporting to the MD you will have full responsibility for developing and managing the company's finance, information and administration systems.

Most importantly, you will be expected to contribute significantly to the business management of the company at a strategic as well as an operational level, and within an environment of very rapid global change.

You should be a qualified accountant (preferably chartered), of graduate calibre and with a broad range of solid finance/accounting and business management experience at a senior level within the high tech industry, ideally with an international dimension. Excellent communication and people management skills are essential, as is a high degree of computer literacy.

Above all you should be seeking an exciting and challenging opportunity - a situation in which success and rewards will be achieved in direct relationship to your own effort and contribution.

To apply, please send a full CV with details of your current remuneration and benefits to MJ Associates, 51 Church Road, Richmond, Surrey TW9 1DL. Fax: 0181 940 7141.

Cox Insurance Holdings PLC

Cox Insurance Holdings is a fully listed plc, providing insurance coverage through seven Lloyds syndicates to shipping, aviation, nuclear, and non marine industries, together with personal lines business with a total underwriting capacity of £470 million. Due to our rapidly expanding business activities an opportunity has arisen within our London Head Office.

GROUP ACCOUNTANT, INSURANCE

Salary £35,000-£40,000 plus benefits

Reporting to the Group Financial Controller, your role will include:

- Management and statutory reporting
- Corporate taxation
- Corporate and overall expense budgeting, forecasting and monitoring
- Supervision of three staff within the finance group

We require a qualified accountant, with at least 2 years post qualification experience, insurance expertise (preferably gained in industry) and strong computer skills. The successful candidate will also possess excellent interpersonal and communication skills both written and oral. The ability to work under pressure, adhering to deadlines and use of own initiative is essential.

In return, the Company offers a very competitive package of benefits including non contributory pension scheme, private medical cover and discretionary bonus award.

Please apply in writing enclosing your current CV stating your current salary to:

John Mitchinson
Head of Human Resources
34 Leadenhall Street, London EC3A 1AT

Reference: JFM/MS/FTGA Closing date: 8th November 1996

No agencies please.

Coopers
& Lybrand

Executive
Resourcing

Director Financial Operations - Europe

LONDON

Our client is one of the world's largest integrated oil and petro-chemical companies. Significant organisational changes are now planned following the decision to restructure and establish centralised shared services. As a consequence an outstanding individual is required to lead the European financial operations in bringing about substantial process and organisational changes whilst utilising the best practices of quality management to their accounting, systems and reporting functions.

As a key member of the management team, you will play a lead role in setting up and implementing, directing and managing a major element of the shared services function to support the Group's European operations. You will be expected to deliver high value and cost effective support and advice necessary and appropriate for the operations and business groups to achieve world class competitive standards.

To succeed you will need to be a pro-active and robust individual with exceptional communication and interpersonal skills. Ideally a qualified accountant or an MBA, you must be able to demonstrate a track record of increasing responsibility and meaningful contribution to business performance. You must also be able to evidence the successful management of large teams, the ability to build key relationships and influence decision makers across the European operations of a blue-chip multi-national. The role also demands an ability in at least one continental language in addition to fluency in English. The successful candidate should not want to limit their future career to this role.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN quoting reference AE931 on both envelope and letter.

Senior Internal Auditor

The Ministry of Defence of Oman has a vacancy for a Senior Computer Auditor to complement its professionally staffed Internal Audit Directorate. The post is offered on an accompanied contract for an initial period of 2 years, renewable annually thereafter by mutual agreement. The MOD currently uses a diverse range of systems, applications and platforms but is undergoing a considerable redevelopment strategy. The candidate should therefore be technically competent on a wide range of established and emerging technologies. Your role will encompass a wide range of duties including the control and integrity issues relating to proposed and existing systems, together with the training of Omani Auditors.

You will have gained extensive experience (at least 7 years) in systems based audit in a diversified organisation at a senior level and be educated to at

least Degree level in computing. Preference will be given to those who possess (or are working towards) OICACISA qualification. Terms of service include annual pay in Omani Rials equivalent to Pounds Sterling £23,917. There is an end of contract gratuity of 20% of the total pay received. Both pay and gratuity are TAX-FREE. In addition, an attractive benefits package includes 60 days annual leave with 2 return flights home for self and eligible family, free furnished accommodation, first class recreational facilities and monthly allowance for domestic staff and transport. Suitably qualified applicants, up to the age of 50 years, should write with full CV to: The Recruiting Officer (L), Military Attaché Office, Embassy of the Sultanate of Oman, 64 Ennismore Gardens, London SW7 1NH.

MINISTRY OF DEFENCE
SULTANATE OF OMAN

KNIGHTSTONE HOUSING ASSOCIATION

Knightstone is a leading and progressive housing association in the South West providing housing for people in need. It has more than 9,000 homes in management and a busy development programme.

We are now looking to recruit to the newly established post of

HEAD OF INTERNAL AUDIT (Ref: HIA1)
Salary Range: £32,800-£35,875
Plus Car & Attractive Benefits Package

Based at the Group's central office in Weston-super-Mare you will manage the provision of an internal audit service to the Association and its connected organisations.

This high profile post will report to the Chief Executive with responsibility to the Board through its Audit Sub-Committee.

Specific responsibilities will include:

- Risk assessment and implementation of an effective audit programme
- Project management of internal and external audit resources
- Servicing the Audit Committee
- Providing internal advice and training to staff on audit and internal control issues

You will hold a professional accounting or auditing qualification with a minimum of 5 years' audit management experience. Specific industry experience in housing associations, property development or construction would be an advantage. Essential personal qualities include: well-developed oral and written communication skills, confidence and credibility in working with senior executives and Board members and a pragmatic commercially-focused approach to business control in a rapidly changing environment.

For an application form and job description, please telephone: 01454 522436 (Answerphone/Quoting System), quoting the job reference.

Closing date for completed applications: Friday 8 November 1996

Knightstone Housing Association is working towards becoming an Equal Opportunities Employer and encourages applications from all sections of the community.

Financial Controller, Kuwait

Our client is a well established professionally managed financial services company involved in the investment, treasury, real estate and client fund management activities. They are looking to recruit an experienced professional for overseeing, running and directing the financial accounting department.

Key responsibilities will include:

- Establishing an effective management decision support system.
- Strengthening of risk and financial control systems.
- Budgeting and financial planning.
- Providing the necessary financial analysis and projections to develop business strategies.
- Assisting management in performance analysis and monitoring of investments, identifying revenue enhancement and cost reduction opportunities and providing effective, relevant and timely advice on a full range of business issues.

The ideal candidate will be a Chartered Accountant or Certified Public Accountant with at least 5 years experience in a similar capacity in a financial institution with a successful career record in all the above areas. The incumbent should have systems orientation and must possess good communication and interpersonal skills, strong leadership and administrative capabilities and outstanding analytical and conceptual skills.

The remuneration package for this senior management position will be commensurate with qualification and experience and will not be less than US\$ 100,000 (tax free).

Interested applicants should write within two weeks of this advertisement to Manoj Kabra, Fax (965) 2400120, enclosing full career and remuneration details quoting reference CID/10/96.

KPMG Management Consulting

Finance Director

Based: Midlands

Salary: c£50,000 Package + Choice of Car

The role will focus on maximising profit generation, enhancing the efficiency of the business through strengthening financial disciplines and providing both Financial and Commercial support within a technically advanced environment.

There are a number of attractive features that combine to make this an exciting opportunity for an experienced, ambitious and successful senior manager. Probably in your 30's and an FCA your career to date will have enabled you to develop the range of skills and depth of experience required for this highly visible role. Personal attributes will include excellent interpersonal skills, a high energy level and a clearly focused pragmatic approach to business.

The package will include a negotiable basic salary, choice of executive company car and comprehensive benefits package. However, we feel the deciding factor in your application will be the opportunity to join a fast growing organisation and make a significant personal contribution to its success.

Interested candidates should apply in writing enclosing a comprehensive CV to John Harridge or call for a confidential discussion on 01483 898989

HALLAMS COURT BLACKHEATH GUILDFORD SURREY GU4 8QS

Harridge

RUSSIAN SPEAKING ACCOUNTANT

Extensive senior management experience in the FSU, available for short or long term contracts.

Phone: 0131 440 0089

Accounting Manager

Guilford based

A world leader in Cellular systems, with 41% of the cellular global market and 85,000 employees world-wide, Ericsson designs, manufactures and supplies advanced digital and analogue systems to the most demanding international standards.

With an ever expanding and more demanding customer base, our commitment to optimising product reliability, innovation and excellent customer service is second to none.

An exciting opportunity has arisen for an Accounting Manager to work within the central Finance department at Ericsson's Guilford office which has experienced unprecedented growth in sales and order bookings.

As Accounting Manager you will work closely with key divisional finance management teams to produce periodic financial reports for the Division, Company and Group and will also have the following key responsibilities:-

- Preparation of periodic budgets and forecasts.
- Organize, motivate and develop a team of finance staff.
- Lead the continuous development of all management information systems.

Competitive salary package

We seek a fully qualified accountant with sound accounting and reporting experience gained in a commercial environment (minimum 3 years). You must also be comfortable working under pressure and to strict deadlines. Excellent communication and interpersonal skills will be as important as dedication, initiative and the ability to implement change.

In addition to an attractive remuneration package including relocation where appropriate, you will earn career development opportunities as a high achiever.

To apply, please send your Curriculum Vitae together with salary expectations to: Iris Freeman, Ericsson Ltd., Midleton Gate, Guilford Business Park, Guilford, Surrey GU2 8SG. Tel: 01483 305494. Fax: 01483 305090.

ERICSSON

FINANCE MANAGER

NEW OPPORTUNITY TO MAKE YOUR NAME WITH A MAJOR OIL & GAS COMPANY

CENTRAL LONDON Package up to £38,000 plus car and benefits

Mobil Corporation is one of the world's largest energy companies. Its subsidiary, Mobil Sales and Supply (MS&S), is responsible for worldwide crude oil and refined products supply balancing, through the daily trading of millions of barrels of petroleum products, and regulated and unregulated paper.

Responsibility for business and statutory reporting for MS&S Europe has transferred from the US to London, resulting in the need for a finance professional to establish and maintain challenging standards for a young finance organisation. Your team will comprise accountants and transaction settlement analysts, responsible for contract verification, cargo support, and settlements. With a new system recently installed, the key to your success will be improving service while reducing costs.

Ideally qualified to ACA/CIMA level, with a minimum second class honours degree, you will have three to five years' blue-chip experience in varied accounting procedures, audit and regulations.

Computer literate, you will have proven leadership skills in an environment of continuous improvement.

This is an ideal chance for a hands-on professional to make a major contribution to one of the world's leading oil and gas companies. In return, we offer a competitive salary and benefits package, including a car, private health scheme, pension and a share savings scheme, together with excellent career development opportunities. If you are interested in this challenging role, please submit your CV, including salary details, quoting reference MD5104, to Jerry Goldsmith, Macmillan Davies, Salisbury House, Bluecoats, Hereford SG14 1PU. Tel: 01992 552552. Fax: 01992 505301.

Mobil The energy to make a difference.

Corporate Finance

City Based - Excellent

Our client is a leading international investment bank, with offices in all major world financial centres. Through its global network, it provides a comprehensive range of financial services and has a growing international client portfolio. Due to this growth, an opportunity has arisen in the corporate finance department in M&A and Corporate Advisory. This role covers both the marketing and execution of transactions for high profile M&A work in the city. Candidates must be of the highest calibre and possess:

- ACA or MBA qualification combined with an outstanding academic record
- 2-3 years experience in M&A or Corporate Advisory in an international investment bank
- Fluency in French and/or German, would be advantageous
- First class communication skills coupled with a confident personality and the ability to work to tight deadlines

The organisation offers exceptional opportunities for career advancement in a prestigious financial institution, whilst encouraging a team orientated work ethic, individuals are rewarded for creativity and originality.

To discuss this opportunity in total confidence, please contact Richard Anson on 0171 405 4161. Alternatively, send your CV to him at the address below.

5 Beem's Buildings
Chancery Lane
London EC4A 3DF
Tel 0171 405 4161
Fax 0171 450 1140
E-Mail: rina@psd.co.uk

INVESTOR IN PEOPLE

PSD

FMS
Finance and
Accountancy
Recruitment

Recently Qualified Accountant - Investment Bank

TREASURY ANALYST £35 - 40,000 + BANKING BENEFITS

Our client is one of the largest banks in Europe and one of the top 20 banks world-wide. It has an enviable reputation and a commanding international presence.

The recent expansion of treasury trading activity has created the role of Treasury Analyst within operational financial management.

The role requires the monitoring of trading exposure, the analysis of results on a product by product basis and the ongoing provision of ad hoc management information. You will also be required to review the existing systems that support the treasury activities and help advance any changes.

The requirement is for a recently qualified accountant who has gained some exposure to treasury products and ideally understands balance sheet management.

You may currently be with a large accountancy firm or a leading financial services company.

As the role will involve extensive liaison with different departments and exposure to senior line management you will need to demonstrate the confidence and ability to communicate at all levels.

The bank has a strong emphasis on training and development and offers ample opportunity for career advancement.

To apply please send a full CV with a covering letter detailing current salary to:
Andrew Fisher, Parkwell Management Consultants Ltd., 8 Wilfred Street, London SW1E 6PL
Telephone: 0171 630 8000; Facsimile: 0171 233 5205

PARKWELL

TAKE AN ACTIVE PART IN OUR EUROPEAN GROWTH Business analyst

One of the world's largest medical technology companies, with around 3800 employees in Europe, we seek a Business Analyst for our European Microbiology Division.

Reporting to the European Division Controller, you will be responsible for giving comprehensive financial support to this business.

Your contribution will essentially be in the following 2 areas:

- development and implementation of new financial and I.T. systems to support the organisation.
- pro-active business and financial support.

You will also be in charge of:

- the preparation of all financial statements and reporting to both European and Corporate management.
- the performance of financial analyses, and the elaboration of Divisional Forecasts/Budgets and Long-Range Plans.

You hold an undergraduate degree in accounting, economics or business, with a sound knowledge of accountancy (US GAAP). A professional Accountancy degree/MBA will be valued. A minimum of 3 to 5 years experience within the financial department of a multinational company complemented with excellent knowledge of PC and mainframe systems is required.

Fluency in English and another major European language is essential to be successful in this position based at our European Headquarters in France - Grenoble area.

Please send your resume + handwritten letter under reference 415 to BECTON DICKINSON - 5 Chemin des Sources - BP 37 38241 MEYLAN cedex - FRANCE.

BECTON DICKINSON

ERNST & YOUNG

Manager – Management Accountant

Central London

£35,000 + Car + Benefits

As one of the world's leading providers of business services, Ernst & Young are committed to delivering outstanding value to their internal and external customers. Current turnover for the UK operation is over £400 million with an aggressive growth forecast for the future.

The firm's continued success in the competitive global market relies upon innovation, proactive change and strong strategic focus. This key appointment within the finance team will add depth to the reporting and analysis process for 40 cost centres across the UK business. Supervising a high calibre team of six staff, the role will take responsibility for monthly reporting, forecasting, budgeting and business planning.

Further challenge within the role will be provided by the requirement to re-engineer

the department and the on-going development of strong relationships with the departmental heads to promote greater understanding of the commercial drivers in their business and therefore add value to the reporting process.

The successful candidate will be a qualified accountant with strong staff management skills, a commercial focus and previous experience of reporting at a senior level. The key personal attributes will be energy, enthusiasm and excellent communication skills. In return, you can expect rapid progression and a challenging career in this exciting global business.

Applicants wishing to apply should forward a comprehensive CV, quoting reference 314420 to Guy Stacey at Michael Page Finance, Page House 39-41 Parker Street, London WC2B 5LH.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leithhead Leeds
Maidenhead Manchester Nottingham St Albans & Worldwide

BUSINESS MANAGER

Health Care

Our client is a progressive and rapidly growing company whose core business is the provision of sophisticated domiciliary care. They also have a considerable reputation for their national consulting practice and their unstinting commitment to the quality of service sets them apart. There is a dynamic environment where teamwork and innovative solutions have created the opportunity for further growth.

In this newly created position you will make a vital contribution to future expansion plans. In particular you will:

- Develop and consolidate commercial and financial systems and procedures
- Lead new business development activity, including tenders and the negotiation of contracts
- Manage all commercial aspects of the company including their information systems
- Promote and manage the development of key accounts and represent the company on relevant professional forums

South West
London

To £37,000

As a qualified accountant, ideally with a service industry background, you will thrive on the challenge of joining a company as it embarks on a period of substantial expansion. Showing excellent interpersonal and negotiation skills you will demonstrate a flair for commercial activities. You will be innovative in your approach to problem solving and be comfortable with the requirement to be involved at all levels of the business and be capable of dealing with a diverse range of clients.

Interested candidates should write with full CV, quoting current rewards package to Simon Stephenson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 3DF, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HSS/6601/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION



ROXSPUR PLC GROUP CHIEF ACCOUNTANT

£50,000 package - Hampshire

Roxspur plc is a specialist engineering group engaged in two principal activities: the manufacture and distribution of Measurement and Control equipment worldwide; and the distribution of Technical Products for specialist engineering applications into Europe's major industrial markets. The Group has subsidiaries across Europe and factories based in the South of England and Yorkshire.

An experienced Chartered Accountant is required to join the small head office team of this growing PLC as No.2 to the Group FD. Candidates should be graduates, qualified with a "Big six" firm and have at least three years post qualification experience ideally in manufacturing industry. Preference will be given to those currently employed in a PLC environment who also demonstrate a strong drive and commitment for personal professional fulfilment.

Responsible for consolidated accounts, PLC reporting including full SSAP, FRS, Cadbury and Greenbury compliance. Participate in the evolution of the group tax strategy. Including the acceptance of tax computations for all companies. Manage the organisation of the central accounts staff and their workloads. Achieve agreed objectives to set priorities. Identify areas capable of improvement and delivering the results. The successful candidate will also be required to support the Board in the Group's M&A and operational activities.

An attractive package of salary, pension and private health is provided. Performance bonus and share options will also apply to the appointment. The company is eliminating perk cars, however, a personal car allowance is paid.

Please send C.V. to: P W Freeman, Finance Director, Roxspur plc, Jays Close, Viables, Basingstoke RG22 4BS

Outstanding Young Financial Controller £30,000 - £50,000 plus benefits

About you:

- Highest levels of drive and enthusiasm
- Consistent record of achievement
- First class, hands-on technical skills
- Outstanding sharp analytical mind
- Rigorous attention to detail
- Frustrated at your current level of progress
- Graduate chartered accountant
- 1-3 years post-qualification experience

About this role:

- Full responsibility for every aspect of our financial affairs
- Develop, implement and run the systems to support our growth
- Consolidate our worldwide accounts
- Hands-on: from expense reports to strategic advice
- Unlimited progression and reward based on merit

About Hagen & Co:

- Providing a unique technical problem-solving service to the world's leading companies
- Growing rapidly in the UK and worldwide
- Offices in the UK, USA and Australia

If you are interested, please send a detailed CV to Isobel Beevor, Personnel Manager, Hagen & Co, 5 Harewood Yard, Harewood, Leeds LS17 9LF to arrive no later than 14 November 1996.

Hagen & Co - Making Things Work

tote

The Horserace Totalisator Board (popularly known as 'The Tote') is a statutory body, based in South-West London, which holds an exclusive licence to run pool betting on horseracing in the UK. The Tote is now seeking to make two important financial appointments.

Head of Internal Audit

£40,000 + CAR

The new Head of Internal Audit must ensure that the Tote meets its obligations under statute and in respect of corporate governance. The responsibilities of the job include improving operational efficiency and effectiveness, testing new computerised systems, ensuring adherence to the Board's policies and liaising with the external auditors.

The Head of Internal Audit will report on a daily basis to the Finance Director but will also be responsible to the Audit Committee.

Candidates will be Chartered Accountants with three to five years' post qualification experience. Practical experience of large scale computer systems, probably in an audit role, is an important prerequisite for the post. The ideal candidate will, in addition, have good communications skills and an appreciation of the industry in which the Tote operates.

A salary of £40,000 will be offered for this post together with a benefits package which will include a car.

Financial Accountant

c £30,000

Following an internal promotion, the Tote is seeking to appoint a Financial Accountant.

The responsibilities of the Financial Accountant include preparation of four-weekly management accounts, daily treasury forecasts and assisting in the supervision of the Finance Department. The Financial Accountant will report to the Group Financial Controller.

Candidates will be recently qualified accountants, preferably with experience of working in a large organisation. First-rate spreadsheet skills are a prerequisite for this post. Candidates will also need to demonstrate the ability to work as part of a team.

A salary of circa £30,000 plus benefits will be offered for this post.

IBDO

BDO Stoy Hayward
Management Consultants

Applicants for either post should write, enclosing a full CV, to Mark Green, BDO Stoy Hayward Management Consultants, 8 Baker Street, London W1M 1DA, or by fax to 0171-487-3686, quoting reference 54/H/150 (Head of Internal Audit) or reference 54/H/151 (Financial Accountant).

Financial Controller - France
For US multinational European
subsidiaries. \$320 Million in sales. 3 to 5
years exp. in US Mfg industry. \$80
to \$100,000 US per year. Excellent
benefits, plus car. French/English.
C.V. and salary to Recruiter 15546
Ventura Blvd. #165 Sherman Oaks,
CA 91403 or Fax: 818-361-8505

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Executives

Key Role in Assessing the Regulation of
Investment Business by the Professions

The Securities and Investments Board (SIB) is the central body empowered by the Financial Services Act (FSA) to oversee the UK system of investor protection. As a result of internal restructuring and promotions, the department responsible for assessing the adequacy of the FSA regulatory arrangements and operational procedures of each of the Recognised Professional Bodies (RPBs) is looking for two new executives. Successful candidates will acquire a good knowledge of each RPB's structure and approach to regulation and will carry out on site reviews to test and evaluate systems, procedures and controls. Having formed a judgement with regard to the adequacy of these controls, they will draft reports, including recommendations for improvements and assist in negotiating with the Bodies as to how and when the improvements will be implemented.

They will then assist in monitoring the implementation of the recommended changes.

The ideal candidates will have experience of auditing or operational reviews and knowledge of packaged and other retail investment products. Good standards of report writing and effective interpersonal skills are essential. Experience of the structure of the legal and accountancy professions and the operations of professional firms would be useful as would experience of the FSA regulatory system. Some UK travel will be necessary.

Interested applicants should initially contact Sue Lintem at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH for an information pack quoting ref 315871 or telephone 0171 269 2308. Closing date Thursday 7th November 1996.



Michael Page City

International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

Accounting Manager

Guildford based

A world leader in Cellular systems, with 41% of the cellular global market and 85,000 employees world-wide, Ericsson designs, manufactures and supplies advanced digital and analogue systems to the most demanding international standards.

With an ever expanding and more demanding customer base, our commitment to optimising product reliability, innovation and excellent customer service is second to none.

An exciting opportunity has arisen for an Accounting Manager to work within the central Finance department at Ericsson's Guildford office which has experienced unprecedented growth in sales and order bookings.

As Accounting Manager you will work closely with key divisional finance management teams to produce periodic financial reports for the Division, Company and Group and will also have the following key responsibilities:-

- Preparation of periodic budgets and forecasts.
- Organize, motivate and develop a team of finance staff.
- Lead the continuous development of all management information systems.

Competitive salary package

We seek a fully qualified accountant with sound accounting and reporting experience gained in a commercial environment (minimum 3 years). You must also be comfortable working under pressure and to strict deadlines. Excellent communication and interpersonal skills will be as important as dedication, initiative and the ability to implement change.

In addition to an attractive remuneration package including relocation where appropriate, you will earn career development opportunities as a high achiever.

To apply, please send your Curriculum Vitae together with salary expectations to: Iris Freeman, Ericsson Ltd., Midleton Gate, Guildford Business Park, Guildford, Surrey GU2 5SG. Tel: 01483 305494. Fax: 01483 305090.

ERICSSON

Finance Director Multi-Site FMCG Manufacturing

Yorkshire

c. £45,000 + Bonus + Benefits

This £20m subsidiary of an international plc produces consumer products for a number of distinct customer sectors. The environment is characterised by high levels of flexibility and customer service, short lead times and innovative product development. The company's activities are central to the Group's strategy and acquisitions are expected to contribute to substantial growth.

Reporting to the Managing Director, the Finance Director will focus on:

- enhancing and developing systems to measure costs, highlight performance issues and add value to commercial decision-making;
- managing local developments and implementing Group policy on IT and MIS initiatives and ensuring compliance with Group reporting requirements and standards;
- contributing fully to the strategic and operational management of a dynamic and profitable business.



SEARCH & SELECTION

PARK HOUSE, 6 KILLINGSBECK DRIVE, LEEDS LS14 6UE TEL: 0113 248 4848
A GKRS Group Company